



The Wilberforce Society & Student Think Tank for Europe-Asia Relations (STEAR)

Joint Policy Paper

Finding Sustainable Avenues: The Belt and Road Initiative's Role in the Pursuit of  
International Sustainable Development - Opportunities and Risks

*Question: To what extent does the Belt and Road Initiative (BRI) Offer Sustainable  
Avenues for International Cooperation, both in the Indo-Pacific and with External  
Powers?*

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## **Abstract**

Since its launch in 2013, the Belt and Road Initiative (BRI) has been perceived as both an opportunity and a threat by different countries and stakeholders. Consequently, its dynamics are the source of disparate geopolitical appraisal. Associated discourse contends the BRI's capability to promote sustainable avenues for international cooperation. This is with the Indo-Pacific and external powers. The paper engages with such discourse by adopting the UN Sustainable Development Goals (UN SDGs) as a framework. Specifically, it observes the degree to which Indo-Pacific and external powers can cooperate with the BRI to create positive outcomes across the 5Ps of Sustainable Development - people, prosperity, planet, partnership and peace. The research draws mixed conclusions regarding the extent to which this has occurred and continues to occur. Accordingly, it provides policy recommendations to improve the BRI's promotion of sustainable avenues for international cooperation.

## **Executive Summary**

The capacity for the BRI to offer sustainable avenues for international cooperation depends on multiple factors. The paper defines ‘sustainable avenues for international cooperation’ as cooperative capabilities to engender the 5Ps of Sustainable Development - people, prosperity, planet, partnership and peace.

Exploring BRI matters related to ‘People’ assesses the extent to which equitable and progressive social outcomes have derived from it. This sentiment is also reflected in the ‘Prosperity’ analysis, particularly regarding infrastructure, aid and financial inclusion, and identifies the extent to which robust and equitable economic growth is strengthened or weakened by the BRI. Analysing the ‘Planet’ dimension, the paper examines the proliferation of environmentally sustainable and unsustainable activities by the BRI. This pertains to energy, infrastructure and land-based projects, and explores the various implications for the environment. While the ‘Partnerships’ and ‘Peace’ dimensional analyses are different, they generate similar conclusions, promulgating the need for multi-scale and multi-stakeholder collaboration across BRI projects.

Specific Key Performance Indicators (KPIs) are used to assess the extent to which each ‘P’ is being attained through the BRI. These KPIs are also applied to specific case studies for each ‘P’. The research highlights varying outcomes for sustainable avenues for cooperation in the context of the BRI and puts forward policy recommendations for improvement. Broadly speaking, the policy recommendations suggest stronger multi-stakeholder engagement at all scales of BRI projects, particularly with local community actors. Additionally, stronger policy coherence is found to be necessary across all dimensions. This ensures best-practice impact assessment, community engagement and

monitoring & evaluation (M&E) underpin the BRI's implementation, and mitigate adverse 'spillover' effects. More effective social and economic cost-benefit analyses should also be undertaken for a more holistic baseline understanding of social and economic situations. This would establish more accurate goals, thresholds and risk mitigation strategies for the social and economic impact of BRI projects. This can be further engendered through stronger human rights frameworks and the provision of more social co-benefits, such as educational opportunities, to local communities where BRI projects are being undertaken. Additionally, green technology sharing in the context of infrastructure development, and the instigation of stronger environmental regulations, are means to bolster the BRI's environmental credentials.

These policy recommendations are directed at policy makers across the Indo-Pacific and those associated with external powers. 'External powers' refers to geopolitically powerful countries and multilateral institutions outside the Indo-Pacific with interests in the BRI. These include the WTO, the EU, UN and the UK.

## Introduction

In September of 2013, speaking at Kazakhstan's Nazarbayev University, Xi Jinping announced his plan to re-establish the Silk Road, stating, “[t]o forge closer economic ties, deepen cooperation and expand development space in the Eurasian region, we should [...] jointly build an ‘economic belt along the Silk Road.’”<sup>1</sup> He expanded upon this vision the following month, while at a summit for the Association of Southeast Asian Nations (ASEAN), announcing that China will also jointly establish “the Maritime Silk Road of the 21st century.”<sup>2</sup>

Over eight years later, 140 countries across 5 continents<sup>3</sup> containing about 60%\* of the global population and accounting for 1/3rd of the world’s GDP<sup>4</sup> have signed a Memorandum of Understanding (MoU) with China, officially integrating them into the BRI. The heart of this project consists of 6 economic corridors connecting China with

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<sup>1</sup> Xi Jinping, ‘Promote Friendship Between Our People and Work Together to Build a Bright Future’ (Speech at Nazarbayev University, Astana, 7 September 2013)

<[https://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/zyjh\\_665391/t1078088.shtml](https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1078088.shtml)> accessed 3 October 2021.

<sup>2</sup> Xi Jinping, ‘Speech by Chinese President Xi Jinping to Indonesian Parliament’ (Speech before Indonesian Parliament, Jakarta, 2 October 2013) <(ASEAN)[http://www.asean-china-center.org/english/2013-10/03/c\\_133062675.htm](http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm)> accessed 3 October 2021.

<sup>3</sup> Christoph Nedopil, ‘Countries of the Belt and Road Initiative’ (*IIGF Green BRI Center*, 2021)

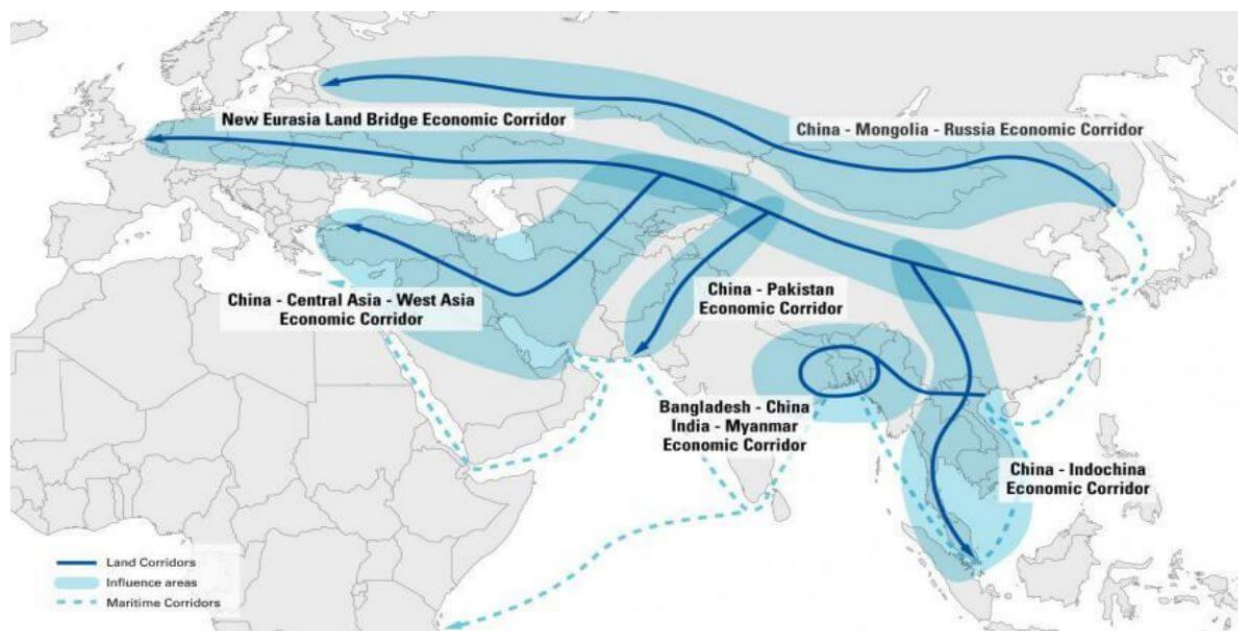
<<https://green-bri.org/countries-of-the-belt-and-road-initiative-bri/>> accessed 3 October 2021.

\*Some estimates put this number closer to 70% of the world’s population. H Lu, C Rohr, M Hafner, A Knack, (2018). ‘China Belt and Road Initiative: How revival of the silk road could impact world trade’ (*Rand*, 2018) <[https://www.rand.org/pubs/research\\_briefs/RB10029.html](https://www.rand.org/pubs/research_briefs/RB10029.html)> accessed 3 October 2021.

<sup>4</sup> M Ruta, M Herrera Dappe, S Lall, C Zhang, E Churchill, C Constantinescu, M Lebrand, A Mulabdic, ‘Belt and Road Economics: Opportunities and Risks of Transport Corridors.’ (*The World Bank*, 2019) <<https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>> accessed 3 October 2021.



Europe, Central, and Southeast Asia, as well as one maritime road stretching from the South China Sea to the Mediterranean.<sup>5</sup>



Source: Hong Kong Trade Development Council and Nomura Global Economics.

**Figure 1: Map of BRI Corridors and Maritime Road<sup>6</sup>**

The unparalleled scale of this modern trade and infrastructure project earns it the right to bear the name of its eponymous historical predecessor: the ancient Silk Road. The original Silk Road arose during Han Dynasty China (206 BCE–220 CE). It consisted of numerous, vibrant caravan routes extending over 6,400km from the Levant to Xi'an\*, along which flowed goods, both material and immaterial.<sup>7</sup> Finished products, raw

<sup>5</sup> S Varma, E Paracuelles, and C Chan, 'The Belt and Road Initiative: globalization, China style.' (*Nomura*, April 2018) <<https://www.nomuraconnects.com/focused-thinking-posts/the-belt-and-road-initiative-globalisation-china-style/>> accessed 9 October 2021.

\*Xi'an is the home province of Xi Jinping

<sup>6</sup> Ibid.

<sup>7</sup> Encyclopaedia Britannica, 'Silk Road' (*Britannica*, 2021) <<https://www.britannica.com/topic/Silk-Road-trade-route>> accessed 3 October.

materials, technologies, ideologies, diseases and art travelled in a multitude of directions along these routes, changing Western, Eastern, and world history forever. Trade along these routes never really ended, but ebbed and flowed depending on the varying cooperativity and stability of peoples and powers at each end as well as along the route. By the western industrial era, the significance of the Silk Road in shaping and connecting the cultures and economies of Eurasia had faded, the remnants of trade along the routes had become almost unrecognisable as the once great artery of continents and their peoples. That was, until 2013 and China's launch of the One Belt One Road Initiative (OBOR), as the BRI was originally called.

According to the Chinese government, it launched the BRI in the “Silk Road Spirit” which it defined as “peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit.”<sup>8</sup> Beijing declared that the goal of this project was to promote connectivity and sustainable development, strengthen partnerships, expand peace, spur trade between China and the BRI's member countries and foster economic growth and prosperity for all parties involved.<sup>9</sup> So far, the BRI has served as China's premier foreign policy strategy to help achieve its two stage goal of creating a “modern socialist country” by the centennial of the establishment of the People's Republic of China in 2049.<sup>10</sup> Among its many goals, this grand strategy aims to achieve “happier, safer, and healthier

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<sup>8</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’ (13 March 2015) <<http://milano.china-consulate.org/eng/xwdt/t1254263.htm>> accessed 3 October 2021.

<sup>9</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’ (13 March 2015) <<http://milano.china-consulate.org/eng/xwdt/t1254263.htm>> accessed 3 October 2021.

<sup>10</sup> Xi Jinping, ‘Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era’ (19th National Congress of the Communist Party of China, Beijing, 18 October 2017) <[http://www.xinhuanet.com/english/download/Xi\\_Jinping's\\_report\\_at\\_19th\\_CPC\\_National\\_Congress.pdf](http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf)> accessed 3 October 2021.

lives” for all Chinese and establish China as “a global leader in terms of composite national strength and international influence.”<sup>11</sup>

Yet China’s approach to achieving its goals, especially via the BRI, has called the government’s declared noble intentions into question by many powers throughout the Indo-Pacific and beyond. Foreign powers have cited human rights abuses,<sup>12</sup> national security threats,<sup>13</sup> losses of sovereignty,<sup>14</sup> and debt trap diplomacy<sup>15</sup> all associated with

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<sup>11</sup> Xi Jinping, ‘Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era’ (19th National Congress of the Communist Party of China, Beijing, 18 October 2017) <[http://www.xinhuanet.com/english/download/Xi\\_Jinping's\\_report\\_at\\_19th\\_CPC\\_National\\_Congress.pdf](http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf)> accessed 3 October 2021.

<sup>12</sup> BBC, ‘Uighurs: Western countries sanction China over rights abuses’ (*BBC*, 22 March 2021) <<https://www.bbc.co.uk/news/world-europe-56487162>> accessed 8 October 2021; S Cho & J Turner, ‘The Economics of Repression: The Belt and Road Initiative, COVID-19, and the Repression of Uyghurs in Xinjiang’ (2020) *The Journal of Indo-Pacific Affairs* <<https://www.airuniversity.af.edu/JIPA/Display/Article/2441685/the-economics-of-repression-the-belt-and-road-initiative-covid-19-and-the-repre/>> accessed 8 October 2021.

<sup>13</sup>Ministry of External Affairs: Government of India, ‘Official Spokesperson's response to a query on participation of India in OBOR/BRI Forum’ (Official Response to OBOR/BRI Forum Invitation, New Delhi, 13 May 2017) <<https://www.mea.gov.in/media-briefings.htm?dtl/28463/official-spokespersons+response+to+a+query+on+participation+of+india+in+obor+bri+forum>> accessed 3 October 2021; PTI, ‘The BRI has a National Security Element: Pompeo’ (*The Hindu Business Line*, 29 March 2019) <<https://www.thehindubusinessline.com/news/world/bri-has-a-national-security-element-pompeo/article26673918.ece>> accessed 8 October 2021.

<sup>14</sup>Ministry of External Affairs: Government of India, ‘Official Spokesperson's response to a query on participation of India in OBOR/BRI Forum’ (Official Response to OBOR/BRI Forum Invitation, New Delhi, 13 May 2017) <<https://www.mea.gov.in/media-briefings.htm?dtl/28463/official-spokespersons+response+to+a+query+on+participation+of+india+in+obor+bri+forum>> accessed 3 October 2021; PTI, ‘The BRI has a National Security Element: Pompeo’ (*The Hindu Business Line*, 29 March 2019) <<https://www.thehindubusinessline.com/news/world/bri-has-a-national-security-element-pompeo/article26673918.ece>> accessed 8 October 2021.

<sup>15</sup> Ministry of External Affairs: Government of India, ‘Official Spokesperson's response to a query on participation of India in OBOR/BRI Forum’ (Official Response to OBOR/BRI Forum Invitation, New Delhi, 13 May 2017) <<https://www.mea.gov.in/media-briefings.htm?dtl/28463/official-spokespersons+response+to+a+query+on+participation+of+india+in+obor+bri+forum>> accessed 3 October 2021.

BRI projects. When the debt owed to China by a country such as Djibouti rises from 4.7% of its GDP in 2012 (before the BRI) to 79.2% in 2017<sup>16</sup>, leaders such as Emmanuel Macron warn that while the BRI has the potential to increase cooperation between nations, it also has the capacity to create a new hegemony of “vassal states.”<sup>17</sup> Other critics have cited China’s flaunting of international law in the South China Sea (including the construction of military bases on man made islands in the Spratly Atoll),<sup>18</sup> the construction of a naval base in Djibouti, and multi-decade leases of ports in Pakistan and Sri Lanka as evidence of a geopolitical strategy to control trade in the Indian Ocean and beyond.<sup>19</sup> They see this series of seaports and military installations, dubbed the String of Pearls,<sup>20</sup> as a logical extension of China’s maritime “active defence” policy as outlined in their 9th white paper (2015).<sup>21</sup> This paper will attempt to determine whether

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[rbri+forum](#)> accessed 3 October 2021; PTI, ‘The BRI has a National Security Element: Pompeo’ (*The Hindu Business Line*, 29 March 2019) <<https://www.thehindubusinessline.com/news/world/bri-has-a-national-security-element-pompeo/article26673918.ece>> accessed 8 October 2021.

<sup>16</sup> Benn Steil & Benjamin Della Rocca, ‘Belt and Road Tracker’ (*Council on Foreign Relations*, 8 May 2019) <<https://www.cfr.org/article/belt-and-road-tracker>> accessed 8 October 2021.

<sup>17</sup> Michael Rose, ‘China’s new ‘Silk Road’ cannot be one-way, France’s Macron says’ (*Reuters*, 8 January 2018) <<https://www.reuters.com/article/us-china-france/chinas-new-silk-road-cannot-be-one-way-frances-macron-says-idUSKBN1EXoFU>> accessed on 3 October 2021.

<sup>18</sup> United Nations, Division for Ocean Affairs and the Law of the Sea Office of Legal Affairs, *Law of the Sea: Bulletin No. 91*, (19 April 2017), available from [https://www.un.org/Depts/los/doalos\\_publications/LOSBulletins/bulletinpdf/LOS\\_91\\_WEB.pdf](https://www.un.org/Depts/los/doalos_publications/LOSBulletins/bulletinpdf/LOS_91_WEB.pdf); A Neill, ‘South China Sea: What’s China’s plan for its ‘Great Wall of Sand’?’ (*BBC*, 14 July 2020) <<https://www.bbc.co.uk/news/world-asia-53344449>> accessed 8 October 2021.

<sup>19</sup> K Hafeez Ullah & K Ijaz, ‘New Delhi Response to Beijing ‘BRI’ Project: A Lucid connection with Chinese “String of Pearls”’ (2018) Lahore; M Sparling ‘The BRI and the String of Pearls: A Challenge to the U.S.-Led Global Order’ (*Virginia Politics*, 25 March 2020) <<https://virginiapolitics.org/online/2020/3/23/the-bri-and-the-string-of-pearls-a-challenge-to-the-us-led-global-order>> accessed October 8 2021;

CJ Pehrson, ‘String of Pearls: Meeting the Challenge of China’s Rising Power Across the Asian Littoral’ (2006) Strategic Studies, U.S. Army War College.

<sup>20</sup> JA MacDonald, A Donahue, B Danyluk, BA Hamilton, *Energy Futures in Asia: Final Report* (Office of the Secretary of Defense 2005).

<sup>21</sup>The State Council Information Office of the People’s Republic of China, *China’s Military Strategy* (2015) section III <[http://www.andrewerickson.com/wp-content/uploads/2019/07/China-Defense-White-Paper\\_2015\\_English-Chinese\\_Annotated.pdf](http://www.andrewerickson.com/wp-content/uploads/2019/07/China-Defense-White-Paper_2015_English-Chinese_Annotated.pdf)> accessed on 3 October 2021; J Ashraf, ‘String of Pearls and China’s Emerging Strategic Culture’ (2017) Strategic Studies 37(4).

these issues are the norm or the exception and how interested parties should proceed once a conclusion has been reached.

Despite the many risks of engaging with the BRI, numerous countries seem to have come to the conclusion that the BRI's benefits outweigh its costs. With the construction of hydroelectric dams, coal plants\*, rail lines, highways, ports, airports and an ever growing list of modern infrastructure opportunities, the BRI provides developing nations with many vital resources. These infrastructure deals also provide economic stimulus by integrating member states into an economic community led by the world's second largest (soon to be largest) economy and cutting the cost of trade.<sup>22</sup> It also provides many countries with loans unavailable elsewhere due to economic, political, or humanitarian concerns. The questions this paper asks is whether the beneficial outcomes the BRI has seen have been sustainable and whether they will be sustainable in the future.

Our paper sheds light on the record of the BRI since its inception and provides several policy recommendations to maximise its beneficial qualities while minimising its detrimental impacts. The paper is divided into 5 sections, each corresponding to one of the 5Ps of sustainable development: People, Planet, Prosperity, Partnership, and Peace. Each section utilises a set of KPIs in order to evaluate the success or failure of the BRI in that particular domain. The KPIs and their corresponding P are outlined in the table below:

### **Table 1: Key Performance Indicators for each 'P' of Sustainable Development**

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<sup>22</sup> M Ruta, 'Three Opportunities and Three Risks of the Belt and Road Initiative' (4 May 2018) <<https://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative>> accessed 3 October 2021.

Sustainable Development P	Key Performance Indicators (KPIs)
People	<ul style="list-style-type: none"> <li>● Poverty rate according to national standards</li> <li>● Prevalence of Undernourishment (PoU)</li> <li>● Healthcare expenditure</li> <li>● Years of schooling (expected)</li> </ul>
Planet	<ul style="list-style-type: none"> <li>● Climate action: climate change and carbon emissions</li> <li>● Sustainable industries and infrastructure</li> <li>● Use of renewable energy</li> </ul>
Prosperity	<ul style="list-style-type: none"> <li>● Increases to GDP/National Income</li> <li>● Improvements to labour/manufacturing productivity, and subsequent effects on trade</li> <li>● Diversification of sustainable methods of finance</li> </ul>
Partnerships	<ul style="list-style-type: none"> <li>● Foreign Direct Investment and Official Development Assistance and South-South cooperation as a proportion of total domestic budget</li> </ul>

	<ul style="list-style-type: none"> <li>• Amount of United States dollars committed to public-private and civil society partnerships</li> </ul>
Peace	<ul style="list-style-type: none"> <li>• Proportion of population who believe decision-making is inclusive and responsive, by sex, age, disability and population group</li> <li>• Informal payments to public officials (% of firms)</li> </ul>

Each section contains two case studies which apply the relevant KPIs to assess the impact of the BRI on the relevant P at the national level. The first section uses KPIs including poverty rate, prevalence of undernourishment, and expected years of schooling to assess the impact of the BRI on the well being of people in Kenya and Myanmar. The next looks at carbon emissions to examine the environmental impact of the BRI in Serbia and Kazakhstan. The third section utilises indicators such as aid for trade support and the capacity and access to banking in order to illuminate the BRI's role in bringing about prosperity or plight in Pakistan and Sri Lanka. Metrics gauging the degree of financial assistance and technology transfer are applied in the fourth section to uncover the BRI's influence on the nature of partnerships between China and Pakistan and Myanmar. The final section takes a holistic approach, looking for the existence of independent human rights organisations and the proportion of the population who believe decision making is inclusive, to identify the role the BRI plays in conflict and the ever so elusive peace.

In order to improve the BRI, we recommend that:

1. China and member countries make maintaining and expanding human rights (as defined in the Universal Declaration of Human Rights), within China and BRI countries, an official goal of the BRI as a whole and one of the goals of every BRI project. This commitment should be explicitly stated and agreed to in all official documents relating to the BRI and its projects.
2. China complies with international laws and abides by the rulings of The International Court of Justice. Notably, in the context of the BRI, those laws and rulings regarding territorial boundaries, intellectual property rights, and human rights are of special relevance.
3. The BRI become conflict conscious by engaging not only with state actors, but also with local actors to better understand the effects of their projects on various regions, sub-regions, sects, and ethnicities within member nations. Additionally, we recommend the Chinese Communist Party (CCP) establish an official governmental oversight board to set guidelines and liaise between Chinese BRI associated firms and local actors.
4. China take active and formalised measures to increase dialogue and transparency between governments, businesses, civil society, and the United Nations and more evenly divide decision making among these parties.
5. China and member nations continue to invest in renewable energy sources and green infrastructure and completely cease investment in non-renewable energy sources. This should be in conjunction with enforcing environmental regulatory capacity in the context where BRI projects are being undertaken.
6. China should only offer, and member nations only accept, loans at a level and at interest rates member nations have a probable chance of paying off. Any



consequences of default should be made clear to all parties involved, most especially the local and national populace, before going ahead with projects.

We urge world leaders of the Indo-Pacific and beyond to heed these recommendations so that these new roads may not be “one way” streets.<sup>23</sup>

## **People**

### **I. General Overview**

Within the framework of the 5 Ps of sustainable development, this section focuses on “people”; encompassed by the SDGs of ‘No Poverty’, ‘Zero Hunger’, ‘Good Health and Well-being’ and ‘Quality Education’. Through case study analyses of BRI projects in Kenya and Myanmar, and making use of relevant KPIs, this section addresses the research question from a human rights-centred approach. In this regard, this section proposes a people-focused policy agenda through which the BRI may effectively promote the realisation of human rights and the wellbeing of individuals and people groups in the Indo-Pacific and with external powers like the United Kingdom (UK) and various international organisations (IOs).

### **II. Sustainable Development Goals**

#### ***No Poverty***

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<sup>23</sup> Rose, M. (2018). “China's new 'Silk Road' cannot be one-way, France's Macron says.” [Online]. [Accessed on 3 October 2021]. Available at: <https://www.reuters.com/article/us-china-france/chinas-new-silk-road-cannot-be-one-way-frances-macron-says-idUSKBNiEXoFU>

The SDG of ‘No Poverty’ (SDG 1) is expansive and interdependent. While its breadth renders inquiry from many perspectives, it complicates the development of effective policy for poverty reduction. In particular, it is difficult for specific KPIs to render a meaningful assessment of the possibility for a given project, like the BRI, to contribute to poverty reduction. According to Brown and Rasmussen, addressing the broad-sweeping SDG of no poverty requires the international community to focus on the “issues of fragility, conflict and displacement and the looming threat of climate change”.<sup>24</sup> In this regard, SDG1 is highly complex with regard to the factors which influence poverty, and the mechanisms by which it may be avoided. According to Maliszewska and van der Mensbrugge, “globally, BRI related investments could lift 7.6 million from extreme poverty and 32 million from moderate poverty”, with the most significant reductions expected in developing nations like Kenya and Myanmar.<sup>25</sup> However, various countries participating in the BRI risk a sovereign default resulting from excessive borrowing from China.<sup>26</sup> For example, projects like the Hambantota port in Sri Lanka, explained further in the section on prosperity, while enhancing Sri Lanka’s trade capabilities, has been leased to China for 99 years, thus complicating Sri Lanka’s ability to fully reap the project's potential benefits.<sup>27</sup> As a result, the infrastructural benefits associated with BRI projects may result in more extreme economic crises for participating countries, ultimately threatening trade stability and risking increased poverty rates.<sup>28</sup> For the purposes of this paper, SDG 1 is studied through poverty rates

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<sup>24</sup> Kaysie Brown, Krista Rasmussen, ‘The sustainable development goals in 2019: People, planet, prosperity in focus’ (*United Nations Foundation*, 2019) <<https://unfoundation.org/blog/post/the-sustainable-development-goals-in-2019-people-planet-prosperity-in-focus/>> .

<sup>25</sup> Maryla Maliszewska, Dominique van der Mensbrugge, ‘The Belt and Road Initiative: Economic, poverty and environmental impacts’ (*Policy Research Working Paper; No. 8814. World Bank*, 2019) <<https://openknowledge.worldbank.org/handle/10986/31543>> .

<sup>26</sup> John Hurley, Scott Morris, Gailyn Portelance, ‘Examining the debt implications of the Belt and road Initiative from a policy perspective’. (*Journal of Infrastructure, Policy and Development* 3(1), 2019) <<https://www.systems.enpress-publisher.com/index.php/jipd/article/view/1123/871>> .

<sup>27</sup> Ganeshan Wignaraja et al., ‘Chinese investment and the BRI in Sri Lanka’ (*Chatham House*, 2020) <<https://www.chathamhouse.org/2020/03/chinese-investment-and-bri-sri-lanka>> .

<sup>28</sup> *ibid.*

according to national standards in Kenya and Myanmar. Despite various factors affecting poverty rates, this section aims to contextualise BRI projects in Kenya and Myanmar with respect to national poverty rates, taking the position that adherence to labour and human rights standards contributes positively to poverty rate outcomes.

### **Zero Hunger**

The SDG of zero hunger is closely linked to poverty and is similarly complex. Hunger in particular is an issue that may be rectified through the improved trade linkages (Partnership) promised as a result of the BRI. Through streamlined global value chains and trade routes through the Indo-Pacific, IOs such as the UN view the BRI as a mechanism to provide foodstuffs to rural communities with limited access to food.<sup>29</sup> However, it is equally relevant to consider the potential destruction of states' agricultural capabilities, such as the case in various central Asian countries like Kazakhstan and Uzbekistan where despite an expansion in agricultural investment from China, rapid urbanisation of rural areas resulting from BRI projects has led to decreased agricultural potential.<sup>30</sup> In this regard, it is relevant to engage in a weighing of interests between the potential for improved distributive capabilities and potential destruction of productive capabilities. However, for the purposes of measuring the BRI's potential to lead to sustainable development, a more urgent consideration involves focusing on outcomes relating to access to foodstuffs. According to the UN's explanation of zero hunger, the prevalence of undernourishment is one of the main indicators by which the

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<sup>29</sup>Wu, 'Welcome remarks at the Belt and Road Initiative: Advancing progress in SDGs' (*United Nations Department of Economic and Social Affairs*, 2017) <<https://www.un.org/es/desa/welcome-remarks-belt-and-road-initiative-advancing-progress-sdgs>> .

<sup>30</sup>Troy Sternberg, Chris McCarthy, Buho Hoshino, 'Does China's Belt and Road Initiative threaten food security in Central Asia?' (*Water 12(10)*, 2020) <<https://doi.org/10.3390/w12102690>> .

SDG may be assessed.<sup>31</sup> In this regard, changes in the prevalence of undernourishment (PoU) in BRI-involved countries may be an effective KPI through which to answer the research question. Nevertheless, the PoU must be contextualised with local BRI projects so as to minimise the impact of confounding variables. This section therefore considers relevant BRI projects in Kenya and Myanmar with respect to the countries' PoU statistics.

### **Good Health & Wellbeing**

According to Ren Minghui, “China’s investments in Belt and Road countries - whether in infrastructure, trade, manufacturing or in the health sector-will all contribute to improving health outcomes”.<sup>32</sup> Through the increased interconnectedness brought on by BRI projects, it is expected that participating countries may realise improved access to healthcare. In recent years, China has positioned itself as the world’s primary supplier of medical supplies; with future infrastructure developments associated with the BRI expected to further enable global distribution.<sup>33</sup> According to the OECD, during the first months of the COVID-19 pandemic, China ramped up the production of facemasks twelvefold and remains the foremost producer of high-tech medical supplies.<sup>34</sup> Through more efficient distributive capabilities, the BRI may improve access to healthcare, and thus the SDG of good health and wellbeing.

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<sup>31</sup>Ritchie, Rose, Mispy, Ortiz-Ospina, ‘Sustainable Development Goal 2: End hunger, achieve food security and improve nutrition and promote sustainable agriculture’ (*SDG-Tracker.org*, 2018) <<https://sdg-tracker.org/zero-hunger>> .

<sup>32</sup>Ren Minghui, ‘Global health and the Belt and Road Initiative’ (*Journal of Global Health* 2(4), 2018) <[https://doi.org/10.1016/S2414-6447\(19\)30176-9](https://doi.org/10.1016/S2414-6447(19)30176-9)> .

<sup>33</sup>ibid.

<sup>34</sup>OECD, ‘COVID-19 and global value chains: Policy options to build more resilient production networks’ (*OECD*, 2020) <<https://www.oecd.org/coronavirus/policy-responses/covid-19-and-global-value-chains-policy-options-to-build-more-resilient-production-networks-04934ef4/>> ; Richard Baldwin, Simon Evenett, ‘COVID-19 and trade policy: Why turning inward won’t work’ (*VOXEU Centre for Economic Policy Research*, 2020) <<https://voxeu.org/content/covid-19-and-trade-policy-why-turning-inward-won-t-work>> .

For the purposes of this section, healthcare expenditure is used to study the BRI as a mechanism to achieve SDG 3. While healthcare expenditure alone may not always directly contribute to improving health outcomes, and expenditure unrelated to healthcare may influence individuals' access to healthcare, understanding Chinese and participating countries' financial commitments to the distribution of healthcare supplies can highlight the BRI's impact on local communities' access to healthcare. According to Joshua Eisenman, "China's trade patterns with Africa are almost entirely determined by its comparative advantage in labour-intensive and capital-intensive production; [...] and the continuing emergence of government-supported economies of scale in China's shipping and manufacturing sectors".<sup>35</sup> China's comparative advantage is especially prevalent in the production of medical supplies. Between 2015 and 2019, the Chinese medical device industry grew its revenues from RMB 308 billion to RMB 629 billion, maintaining an annual growth rate of about 20% since 2015.<sup>36</sup> By comparison, the US medical device manufacturing market was valued at only 186.5 billion in 2021, with a revenue forecast of 262.4 billion in 2028.<sup>37</sup> Thanks to China's over 26,000 medical device manufacturer's ability to produce highly complex medical supplies at a comparative advantage, China has assumed the position of the world's foremost medical supplies manufacturer.<sup>38</sup> While the Made in China 2025 initiative reflects an intention to bolster domestic production, China's expenditure on healthcare supplies in tandem with BRI infrastructure projects enabling low cost exports to developing countries, especially in

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<sup>35</sup> Joshua Eisenman, 'China–Africa Trade Patterns: causes and consequences' (*Journal of Contemporary China* 21(77), 2012) <<https://doi.org/10.1080/10670564.2012.684964>> .

<sup>36</sup> Alan MacCharles, Chris Lin, Nicholas Young, 'Chinese medical device industry: How to thrive in an increasingly competitive market?' (*Deloitte*, 2021) <<https://www2.deloitte.com/cn/en/pages/life-sciences-and-healthcare/articles/chinese-medical-device-industry-whitepaper.html>> .

<sup>37</sup> Grand View Research, 'U.S. medical device manufacturers market size, share & trends analysis report by type (diagnostic imaging, consumables, patient aids, orthopedics), and segment forecasts, 2021 - 2028' (Grand View Research, 2021) <<https://www.grandviewresearch.com/industry-analysis/us-medical-device-manufacturers-market>> .

<sup>38</sup> *ibid.*

times of crisis like COVID-19, may contribute to improved health outcomes in areas along the BRI.<sup>39</sup>

However, the BRI's potential benefits in terms of the distribution of medical supplies and access to healthcare must not be discussed without consideration of the potential risks. For example, the construction of a large hydroelectric dam in Cambodia has raised criticism of the project's displacement of local communities. According to Human Rights Watch, local communities displaced as a result of the dam's construction have had access to little assistance in securing new livelihoods, and suffered from a decreased yield of key resources like fish and agriculture.<sup>40</sup> Other projects like the Lower Sesan 2 Dam in Cambodia also highlight the overlapping nature of the people and planet dimensions of the SDGs. Projects like Cambodia's Lower Sesan 2 Dam were found to have "severe environmental impacts" due to the destruction of local fisheries; thus, jeopardising food security and other health standards.<sup>41</sup> The U.S. National Academy of Sciences estimated that the Lower Sesan 2 Dam would decrease the fish population in Cambodia and Vietnam by about 9.3%, with over 100 of the 900 fish species in the Mekong being affected.<sup>42</sup> In this regard, the dam threatens both food security and biodiversity.

### **Quality Education**

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<sup>39</sup>ibid.

<sup>40</sup>Human Rights Watch, 'Cambodia: China's 'Belt and road' dam is a rights disaster' (*Human Rights Watch*, 2021) <<https://www.hrw.org/news/2021/08/10/cambodia-chinas-belt-and-road-dam-rights-disaster#>>

<sup>41</sup>ibid.

<sup>42</sup>Guy Ziv et al., 'Trading-off fish biodiversity, food security, and hydropower in the Mekong River Basin' (*Proceedings of the National Academy of sciences of the United States of America* 109(15), 2012) <<https://www.pnas.org/content/109/15/5609#:~:text=https%3A//doi.org/10.1073/pnas.1201423109>> .

Access to quality education is a particularly important SDG within the people pillar given that it represents a fundamental driver of development and equips individuals with the tools to avoid the issues addressed by SDGs 1-3. In understanding the progress made to address SDG 4, the UN has identified various KPIs through which to track global progress. In the context of the BRI, perhaps the most relevant is indicator 4.4.1 - the proportion of youth and adults with information and communications technology (ICT) skills.<sup>43</sup> According to the UN, equipping children and adults with relevant skills for employment and entrepreneurship, sustainable development may be achieved. In the context of the BRI, China has established numerous vocational training facilities to train local employees to contribute to BRI-related projects. In this regard, such facilities may be assessed both in relation to the extent to which they contribute to increasing the proportion of youth and adults with relevant skills and the extent to which they contribute to making education freely accessible in the regions along the Belt and Road. For the purposes of this section, the KPI of expected years of schooling is used to understand how the BRI contributes to SDG4. While expected years of schooling is a broad KPI and is limited in that it is difficult to determine causality between BRI projects and their impact on local communities' educational prospects, there is a lack of data available for more specific KPIs like the proportion of youth and adults with ICT skills. In this regard, this section studies SDG4 through the KPI of expected years of schooling while using evidence from the various job training programmes established alongside the relevant BRI projects for context.

### **III. Methodology**

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<sup>43</sup>Ritchie, Rose, Mispy, Ortiz-Ospina, 'Sustainable Development Goal 4: Ensure inclusive and quality education for all and promote lifelong learning' (*SDG-Tracker.org*, 2018) <<https://sdg-tracker.org/quality-education>> .

To analyse the people pillar, this section engages in case study analyses of two important countries along the Belt and Road: Kenya and Myanmar. After a summary of BRI projects in the respective countries and their overarching vision, this section discusses such projects' potential to contribute to the SDGs of no poverty, zero hunger, good health and wellbeing and quality education. In doing so, this section refers to the relevant KPIs summarised in Table 2 to discuss potential outcomes for sustainable development. Understanding that people's employment prospects and ability to realise human rights plays a significant role in determining the success of the relevant SDGs, this section engages in the relevant case study analyses from both labour and human rights-based approaches. Through this two-pronged approach as well as the use of relevant KPIs, this section studies the BRI as a mechanism for sustainable development, thus achieving the overarching goal of proposing a people-focused policy agenda to promote the realisation of human rights and the wellbeing of individuals and people groups along the Belt and Road. To this end, the four SDGs studied are assessed through the following KPIs.

**Table 2: Key Performance Indicators - People**

Sustainable Development Goal	Key Performance Indicators
SDG1: No Poverty	Poverty rate according to national standards
SDG2: Zero Hunger	Prevalence of Undernourishment (PoU)
SDG3: Good Health and Wellbeing	Healthcare expenditure
SDG4: Quality Education	Years of schooling (expected)



While the methodological approach employed allows for an analysis of the BRI from various perspectives, limitations in scope render the need for further research on the connection of the BRI to the people pillar of sustainable development. First, this section does not utilise an exhaustive set of SDGs to fully encompass the range of SDGs relevant to the people pillar. Directly related SDGs like gender equality, access to clean water and sanitation, as well as indirectly related SDGs like decent work and economic growth, reduced inequalities, and responsible consumption and production are left out of this analysis, though well within the scope. In this regard, further research surrounding the BRI's impact on human rights from the perspective of other SDGs is academically, socially and ethically imperative. Second, the KPIs chosen for this analysis are relatively one-dimensional, resulting in a narrow analysis of the BRI's impact on people groups and individuals. Moreover, this section largely considers the BRI in a vacuum, and does not consider the implications of other relevant socio political issues on the people pillar. While a narrow perspective on a broad issue may help to more effectively make policy suggestions, the BRI's impact on people and human rights must be analysed by way of numerous other KPIs, including direct input from local communities, to render a full understanding of the research question.

#### **IV. Case Studies**

To understand whether the BRI offers sustainable avenues for cooperation from the perspective of its impact on the 'people' dimension, this section highlights two countries: Kenya and Myanmar. First, an analysis of BRI projects in Kenya, particularly the newly opened Standard Gauge Railway (SGR), serves to highlight the impact of the BRI on Kenyan labour markets. Aiming to understand the impact of BRI projects in Kenya on the SDGs of 'No Poverty', 'Zero Hunger', 'Good health and Well-being' and 'Quality Education', this case study uses the relevant KPIs to understand Kenya's BRI projects in relation to their impact on people-related SDGs. Second, an analysis of a deep seaport in

Myanmar's Kyaukphyu Special Economic Zone (KPEZ) serves to highlight how the BRI might have contributed to the relevant SDGs in Myanmar, in addition to human rights concerns that surround the country's BRI projects.

The case studies for this section have been chosen both for their relevance to the people pillar of sustainable development and their distinct roles in the BRI as a whole. Kenya's SGR presents an opportunity to understand the human impact of infrastructure projects in the 21st century maritime silk road while Myanmar's KPSEZ deep seaport allows for an understanding of the impact of projects within the China-Myanmar Economic Corridor (CMEC) on local communities. Nevertheless, the case studies of Kenya and Myanmar must not be considered the only BRI projects relevant to the BRI's human impact. In reading this section, readers should be aware that a variety of BRI projects, from Cambodia's Lower Sesan Dam 2, which has received numerous reports of human rights violations, to Pakistan's Port Qasim power project, which has raised concerns over the environmental costs of coal usage, influence the people pillar.<sup>44</sup> Readers should additionally acknowledge the interdependence of each SDG, and consider the people pillar as one piece of a larger discussion on the BRI's adherence to the SDG framework.

## Kenya

As a key point on the 21st Century Maritime Silk Road, Kenya is in many ways the frontier to China's trade capacities with East Africa.<sup>45</sup> To date, the principal BRI project

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<sup>44</sup>Human Rights Watch, 'Underwater: Human rights impacts of a China Belt and Road project in Cambodia' (Human Rights Watch, 2021) <<https://www.hrw.org/report/2021/08/10/underwater/human-rights-impacts-china-belt-and-road-project-cambodia>> ; Digvijay Bhusan, 'Biggest power plants under China's Belt and Road Initiative (BRI)' (*Power Technology*, 2019) <<https://www.power-technology.com/features/biggest-power-plants-chinas-belt-road-initiative/>> .

<sup>45</sup>Muhammad Sabil Farooq et al., 'Kenya and the 21st Century Maritime Silk road: Implications for China-Africa relations' (*China Quarterly of International Strategic Studies* 4(3), 2018). <<https://doi.org/10.1142/S2377740018500136>> .

in Kenya is the Mombasa-Nairobi SGR. Opened in June 2017, the SGR connects the coastal city of Mombasa, a key destination along the BRI's sea route, with the Kenyan capital of Nairobi, one of Africa's largest business hubs.<sup>46</sup> Importantly, the project which cost \$3.6 billion was completed “through a loan from the Export and Import Bank of China [...] and constructed by a Chinese state-owned enterprise”.<sup>47</sup>

At face value, Kenya's SGR appears to be the result of well-aligned Kenyan and Chinese interests. According to Kenyan President Uhuru Kenyatta, as cited in Jing Gu and Shen Qiu, the BRI allows post-colonial Africa to develop its private-sector capabilities through the development of more efficient infrastructure corridors.<sup>48</sup> In 2008, then Kenyan president Mwai Kibaki launched Vision 2030, a bold development strategy aimed at “industrialising the nation and making it a middle-income economy” by 2030, largely through infrastructure.<sup>49</sup> In this regard, China's BRI-related investments in African infrastructure represent ideal funding opportunities for Kenya's development goals.

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<sup>46</sup>ibid.

<sup>47</sup>Yuan Wang, Uwe Wissenbach, ‘Clientelism at work? A case study of Kenyan Standard Gauge Railway project’ (*Economic History of Developing Regions* 34(3), 2019 <<https://hdl.handle.net/10520/EJC-1a7abeg5bq>>

<sup>48</sup>Jing Gu, Shen Qiu, ‘The Belt and Road Initiative and the SDGs: Towards equitable, sustainable development: A case study of Kenya’ (*IDS Bulletin* 50(4), 2019) <<https://doi.org/10.19088/1968-2019.140>>.

<sup>49</sup>Zachary Bolo, Cynthia Nkirote, ‘Bottlenecks in the execution of Kenya vision 2030 strategy: An empirical study’ (*Prime Journal of Business Administration and Management* 2(3), 2012) <<http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/31658>> .



Figure 2: Kenyan Railway Network Map<sup>50</sup>

### ***Employment and Well Being***

Perhaps the most significant benefit of Kenya's SGR concerns the employment prospects. The SGR presents employment opportunities not only during the construction phase but also throughout the railway's lifespan due to maintenance and the potential for domestic industry resulting from increased interconnectedness within

<sup>50</sup>Logistics Capacity Assessments, 'Kenya railway assessment'  
<https://dlca.logcluster.org/display/public/DLCA/2.4+Kenya+Railway+Assessment> .

Kenya.<sup>51</sup> In the lead up to the project, many scholars expressed concern surrounding the extent to which Chinese construction companies would hire local labourers in favour of more affordable Chinese workers, and whether employment opportunities would provide sufficient benefits and social mobility.<sup>52</sup> However, others such as Shanghi and Johnson found, in a survey of 75 Chinese-owned companies with an average of 360 employees in Kenya, that 78% of full-time and 95% of part-time workers were Kenyan.<sup>53</sup> Moreover, in comparison to other foreign enterprises invested in Kenya which employed on average 147 local employees, Chinese businesses employed an average of 360.<sup>54</sup> The SGR can, therefore, be understood to have increased labour force participation in Kenya. According to Sen et al., the SGR led to the direct creation of 46,000 Kenyan jobs, in addition to acting as a stimulant to local economies dependent on the production of raw materials necessary for the project.<sup>55</sup>

Furthermore, China's involvement in infrastructure projects has been shown to improve people's accessibility and ability to interact with local economies. One specific example is the city of Voi, located around 143km from Mombasa. Previous to the opening of the SGR, Voi was largely inaccessible. However, its position as a stop along the railway has contributed to newfound economic potential between Mombasa and Nairobi.<sup>56</sup>

Moreover, towns like Voi have experienced increased economic activity resulting from

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<sup>51</sup>Jing Gu, Shen Qiu (n 47).

<sup>52</sup>ibid.

<sup>53</sup>Yuan Wang, Uwe Wissenbach, 'African politics meets Chinese engineers: The Chinese-built Standard Gauge Railway Project in Kenya and East Africa' (*China Africa Research Initiative, School of Advanced International Studies* (13), 2017) <<http://www.sais-cari.org/publications>> .

<sup>54</sup>Muhammad Sabil Farooq et al. (n 44).

<sup>55</sup>Jing Gu, Shen Qiu (n 47).

<sup>56</sup>China Global Television Network America, 'Belt and Road's impact on Kenya' (China Global Television Network America, 2019) <[https://www.youtube.com/watch?v=4vwXkf5XKaQ&ab\\_channel=CGTNAmerica](https://www.youtube.com/watch?v=4vwXkf5XKaQ&ab_channel=CGTNAmerica)> ; Irandu Evaristus, Owilla Hansen, 'The economic implications of Belt and Road Initiative in the development of railway transport infrastructure in Africa: The case of the Standard Gauge Railway in Kenya' (*The African Review* (47), 2020) <10.1163/1821889X-12340027>.

the flow of passengers who spend money in restaurants, local markets and hotels.<sup>57</sup>

Through the increased economic potential brought on by the SGR, it is possible that the SDGs of “no poverty” and “zero hunger” have been improved. According to Nguyen and Schwiebert, China’s engagement in infrastructure projects in Africa, like the SGR, contribute both to the eradication of poverty and narrowing of income gaps.<sup>58</sup>

From the perspective of Kenya’s overall economic positioning as well as individuals’ potential to avoid the negative effects of poverty, the BRI appears to offer a net benefit in terms of SDG<sub>1</sub> and SDG<sub>2</sub>. However, despite the potential for increased labour force participation and access to foodstuffs, when looked at from a human rights perspective, the picture does not appear so positive. In a recent article, Farooq et al. (2018) highlighted the need for Chinese companies’ improved adherence to employment standards and workers rights across all BRI-related projects on the African continent.<sup>59</sup> Despite their provision of employment opportunities to local communities, such opportunities were found to be overwhelmingly in low-level positions, and workers were often subjected to unsafe working conditions and discriminatory behaviour from project managers.<sup>60</sup> In this regard, to reap the economic and social benefits posed by the BRI’s creation of employment opportunities, it is likely that regulators will be required to implement more thorough checks on Chinese companies’ adherence to employment and human rights standards in BRI project zones.

Over the last decade and a half, Kenya has experienced significant improvements in poverty rates. According to the world bank, from 2005/06 to 2015/16, Kenya’s poverty rate

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<sup>57</sup>ibid.

<sup>58</sup>Tam Nguyen, Jörg Schwiebert, ‘China’s role in mitigating poverty and inequality in Africa: An empirical query’ (*Journal of the Asia Pacific Economy* 24(4), 2019) <<https://doi.org/10.1080/13547860.2019.1632645>> .

<sup>59</sup>Muhammad Sabil Farooq et al. (n 44).

<sup>60</sup>ibid.

fell from 46.8% to 38.8%, with the majority of improvements being attributed to the urbanisation of rural areas.<sup>61</sup> However, such improvements are not to be observed in the case of the PoU. According to the World Bank, since the BRI was announced in 2013, the PoU has increased from 22.1 percent of the population to 24.8%.<sup>62</sup> Even more concerning is the trends for severe food insecurity, which has increased from 17.3 percent in 2015 to 25.7% in 2019.<sup>63</sup> However, the causal link between the announcement of the BRI and poverty and the PoU is dubious and must be considered in relation to other factors. The KPIs chosen to measure SDG<sub>1</sub> and SDG<sub>2</sub> are particularly ineffective for the case study of Kenya. A drought in 2016 and 2017 throughout Kenya and neighbouring countries drastically decreased crop yields, making food more inaccessible due to high prices.<sup>64</sup>

In this regard, the BRI's impact through Kenya in relation to SDG<sub>1</sub> and SDG<sub>2</sub> are largely yet to be seen, with confounding variables complicating empirical research. In any case, it is clear that through improved job creation and access to new markets, the SGR has created greater economic opportunities for individuals and local communities. However, structural inequalities affecting Kenyan workers may limit further improvements in poverty and nutritional outcomes.

### **Health**

Regarding the SDG of 'Good Health and Wellbeing', Kenya has experienced an increase in per capita health expenditure from \$66.8 in 2013 when the BRI was announced, to

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<sup>61</sup>World Bank Group, 'Poverty & Equity Brief: Sub-Saharan Africa: Kenya' (*World Bank Group Poverty & Equity*, 2019).

<sup>62</sup>World Bank Group, 'Prevalence of undernourishment (% of population) – Kenya' (*World Bank Group*, 2019) <<https://data.worldbank.org/indicator/SN.ITK.DEFC.ZS?locations=KE>> .

<sup>63</sup>World Bank Group, 'Prevalence of severe food insecurity in the population (%) – Kenya' (*World Bank Group*, 2019) <<https://data.worldbank.org/indicator/SN.ITK.SVFI.ZS?locations=KE>> .

<sup>64</sup>Kerstin Bandsom, 'Hunger and undernutrition in Kenya' (*Welthungerhilfe*, 2019) <<https://www.welthungerhilfe.org/news/latest-articles/2019/hunger-and-undernutrition-in-kenya/>> .

\$88.4 in 2018.<sup>65</sup> However, as a percentage of GDP, healthcare has remained relatively stable, with Kenya allocating around 5.5% of its GDP to healthcare in 2013 and 5.2% in 2018.<sup>66</sup> China on the other hand has also made investments in Kenyan health infrastructure. According to Gu and Qui, “China committed to continuing the dispatch of foreign aid medical teams to BRI partner states and to carry out appropriate hospital cooperation”.<sup>67</sup> Apart from just medical personnel, Kenya and China’s agreement and healthcare collaboration lays the foundation for greater cooperation in terms of the building of healthcare infrastructure, trading of supplies and collaboration in pharmaceutical research.<sup>68</sup> In this regard, despite the relative stability of Kenya’s healthcare expenditure, China’s expenditure in Kenya healthcare infrastructure has laid the foundation for local communities in Kenya to realise improved health outcomes.<sup>69</sup> While the long-term implications of such investments and whether Kenya and China’s partnership will deliver increased trade of healthcare supplies and improved compliance to healthcare-related human rights standards is yet to be seen, the foundation laid by Kenya and China’s partnership is a benevolent undertaking .

## **Education**

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<sup>65</sup>World Bank Group, ‘Current health expenditure per capita (current US\$) – Kenya’ (*World Bank Group*, 2018) <<https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD?locations=KE>> .

<sup>66</sup>World Bank Group, ‘Current health expenditure (% of GDP) – Kenya’ (*World Bank Group*, 2018) <<https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=KE>> .

<sup>67</sup>Jing Gu, Shen Qiu (n 47).

<sup>68</sup>ibid.

<sup>69</sup>ibid.



Additionally, Kenyan workers may benefit from both formal and informal training, enabling further employment opportunities in the future. One of the largest educational initiatives associated with the BRI is the Kenya-China Technical and Vocational Education and Training (TVET) project.<sup>70</sup> The Kenyan government has long focused on TVET for the purposes of economic growth. However, TVET programmes have received a newfound focus due to Kenya's Vision 2030 project. In the first years since the BRI was announced, the expected years of schooling in Kenya increased from 11.3 years in 2013 to 12.1 years in 2017; maintaining steady growth since 2007.<sup>71</sup> Moreover, the newfound focus on TVET programmes has resulted in numerous TVET partnerships, of which the Kenya-China TVET Project is the most significant.<sup>72</sup> In a study conducted in 2018, utilising qualitative interviews with TVET teachers in Kenya, Musyimi et al. (2018) concluded that the Kenya-China TVET Project contributed to increased entrepreneurship, Kenyan manufacturing, and mutual understanding between Kenya and China.<sup>73</sup> Not only did the programme establish Chinese entrepreneurial values to Kenyan students, but the programme's focus on practical rather than theoretical learning also contributed positively to students' ability to enter the labour market.<sup>74</sup> In this regard, focusing on transferable skills enabled students to not only succeed in traditional employment settings, but establish avenues for self employment in the case that employment opportunities were to diminish.<sup>75</sup>

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<sup>70</sup>Caroline Musyimi, Joseph Malechwanzi, Heng Luo, 'The Belt and Road Initiative and technical and vocational education and training (TVET) in Kenya: The Kenya-China TVET project' (*Frontiers of Education in China* 13(3), 2018) <<https://doi.org/10.1007/s11516-018-0017-x>>.

<sup>71</sup>Our World in Data, 'School life expectancy' (Our World in Data, 2017)

<<https://ourworldindata.org/grapher/expected-years-of-schooling?tab=chart&country=~KEN>>.

<sup>72</sup>Caroline Musyimi, Joseph Malechwanzi, Heng Luo (n 69).

<sup>73</sup>ibid.

<sup>74</sup>ibid.

<sup>75</sup>ibid.

While the Kenya-China TVET Project appears to contribute positively to both SDG3 and SDG4 in its own right, it is also relevant to consider the project in terms of the larger narrative of China's BRI commitments in Kenya, and the education outcomes observed thus far. Education appears to be a central theme of China's BRI commitments in Kenya. In 2019, China and Kenya agreed to sign two MoUs "specifically aimed at supporting Education, Science, Technology and Innovations [...] focused on training and research to benefit Kenyan institutions, and students".<sup>76</sup> In discussing the MoUs, the President of China's Academy of Sciences promised large investments in scholarships for Kenyan students and spoke optimistically about the possibility for technology and knowledge exchange between Kenya and China.<sup>77</sup> However, evidence suggests that the narrative surrounding BRI projects as supporting education and TVET projects in Kenya ought not to be framed so positively. According to Venkateswaran (2020), "only around three per cent of Chinese projects [in Africa], in healthcare and education, provide direct benefits to the local population".<sup>78</sup> Venkateswaran claims that the lack of efficiency in such investments is reflective both of unfair business practices which underpin the projects as a whole and the fact that such infrastructure projects serve only a small portion of the local population, often causing more environmental damage than benefits to individuals and people groups.<sup>79</sup> Moreover, some reports have criticised the quality of TVET education and discussed that Kenyan industries, who in the end will be the employers of former TVET students, were not involved in the project, resulting in irrelevant or unhelpful skills being taught.<sup>80</sup>

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<sup>76</sup>Saini, 'Kenya and China sign MoU for second Belt and Road Initiative' (Nam News Network, 2019). <<http://www.namnewsnetwork.org/?p=16166>> .

<sup>77</sup>ibid.

<sup>78</sup>Lokanathan Venkateswaran, 'China's Belt and Road Initiative implications in Africa' (ORF Issue Brief (395), 2020) <<https://www.orfonline.org/%20/chinas-belt-and-road-initiative-implications-in-africa/>> .

<sup>79</sup>ibid.

<sup>80</sup>Caroline Musyim, Joseph Malechwanz, Heng Luo (n 69).

## Conclusion

At a national level, such developments speak positively towards the realisation of SDG<sub>1</sub> and SDG<sub>2</sub>. However, to make a clear judgement on the extent to which such indicators have been impacted by BRI projects is difficult to ascertain. Despite the SDG leading to the creation of 46,000 jobs in Kenya, we cannot determine the influence of such job creation on the poverty rate nor PoU given that such measurements correlate with a larger trend of economic development throughout the African continent. Moreover, healthcare expenditure alone cannot determine whether there have been improvements in health outcomes in Kenya. Given the healthcare expenditure metric also omits Chinese investments in healthcare in favour of a more nationalistic approach, it is impossible to get a full picture of the BRI's impact on SDG 3 through healthcare expenditure alone. Instead, it is perhaps more effective in this case to rely on anecdotal data such as that from the example of Kenya and China's agreement on healthcare collaboration to determine whether the SGR has had a net positive or negative impact on local communities' health outcomes. Finally, while the increase in expected years of schooling in Kenya points towards greater employment opportunities, this metric is somewhat removed from the BRI and the SGR and suffers from various limitations such as the omission of education quality, and its assumption of the homogeneity of education.<sup>81</sup> Moreover, expected years of schooling in Kenya have been on the rise since 2002, indicating the improvements in average years of education reflect changes in Kenya that are removed from the BRI.<sup>82</sup> While Chinese companies were observed to provide onsite job training for those involved in BRI projects, these institutions are not directly connected to formal education in Kenya, and do not render analyses through

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<sup>81</sup>Henry Laverde-Rojas et al. 'Are average years of education losing predictive power for economic growth? An alternative measure through structural equations modeling' (PLoS ONE 14(3), 2019) <<https://doi.org/10.1371/journal.pone.0213651>> .

<sup>82</sup>Our World in Data (n 70).

nation-level education data. In this regard, while average years of education data provides a weak causal link, the case provides valuable insight into the possibility for such programmes to improve employment outcomes and foster an entrepreneurial spirit.

## **Myanmar**

Another important case study for the BRI's impact on people is that of Myanmar. Myanmar is particularly relevant from an international trade perspective due to its geographic location. With a large coastline of 2,228km in the Indo-Pacific, and borders with India, Bangladesh, Thailand, Laos and China, Myanmar acts in many ways as a central hub for trade into and out of its neighbouring countries. The CMEC, therefore, is crucial for China to gain access to the Bay of Bengal and the greater Indo-Pacific.<sup>83</sup> As shown in Figure 3, Myanmar is also home to three major ports; facilitating trade from China to the West.

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<sup>83</sup>Azeem Ibrahim, 'Myanmar & China's strategic interests in the Indian Ocean basin' (The Rohingya Post, 2020) <<https://www.rohingyapost.com/myanmar-chinas-strategic-interests-in-the-indian-ocean-basin/>> .

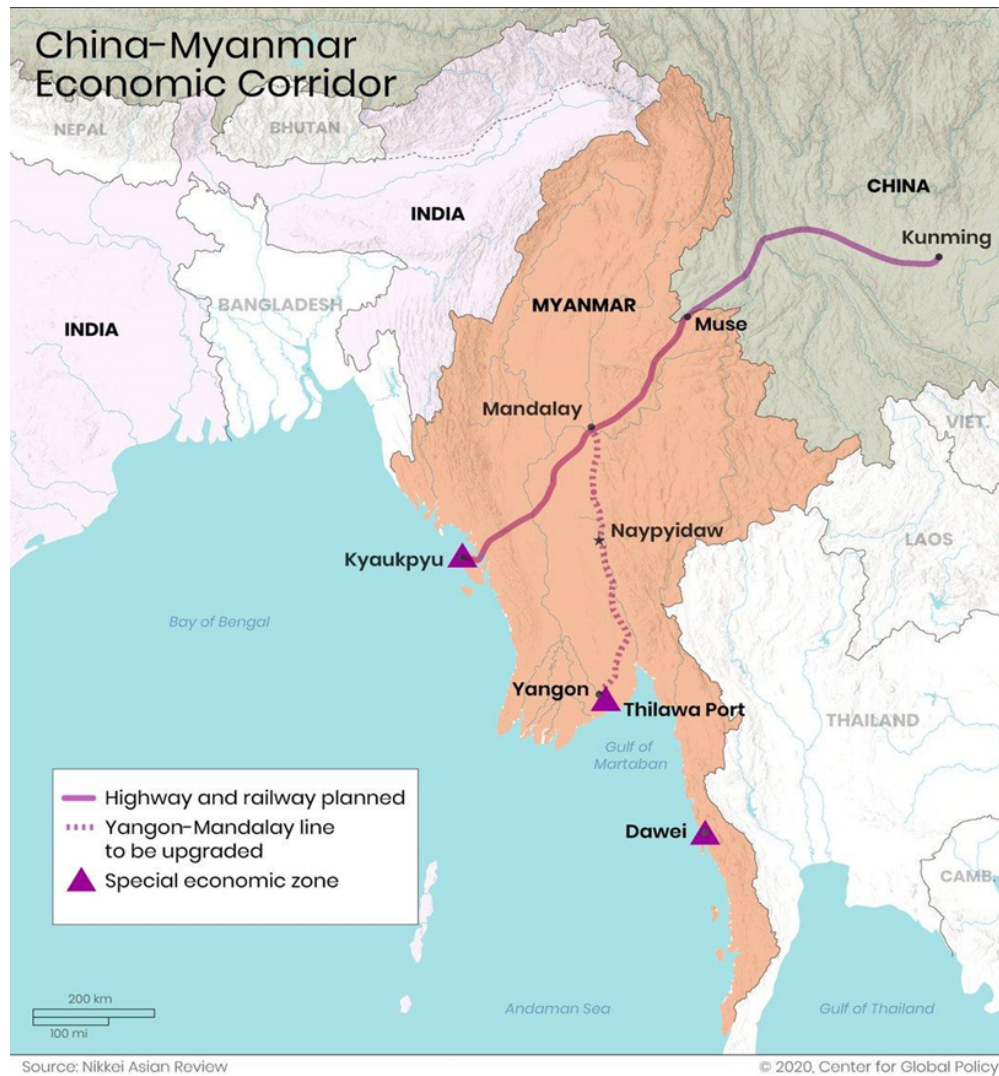


Figure 3: Belt and Road Corridors in Myanmar<sup>84</sup>

<sup>84</sup>Azeem Ibrahim, 'Myanmar & China's strategic interests in the Indian Ocean basin' (The Rohingya Post, 2020) <<https://www.rohingyapost.com/myanmar-chinas-strategic-interests-in-the-indian-ocean-basin/>> .

The principal section of the CMEC is the Kyauk Phyu Special Economic Zone (KPSEZ), a regional master plan approved in 2011.<sup>85</sup> The main purpose of the KPSEZ was for the promotion of industry, while other special economic zones such as the Yanbye sub-region and Manaung sub-region were tailored more towards agriculture and eco-tourism respectively.<sup>86</sup> The largest project in the KPSEZ is a deep seaport in the coastal town of Rakhine, valued at approximately \$7.3 billion.<sup>87</sup> Importantly, contracts for the projects have been held by subsidiaries of the Chinese CITIC Group Corporation since 2016, which not only make them responsible for the building of the port, but also for its operation for a period of 50 years.<sup>88</sup> Strategically, China's stake in the KPSEZ represents a significant economic and military opportunity.<sup>89</sup> On the one hand, China's control of a major maritime centre in the Indo-Pacific may positively contribute to their international trade prospects.<sup>90</sup> With the potential to avoid longer and more expensive routes through the Strait of Malacca through the strengthening of the CMEC, China may significantly enhance its development capabilities in Yunnan Province.<sup>91</sup> Some have also speculated that the KPSEZ could be used for China's military capabilities, operating alongside the existing Yulin Naval Base located in Hainan.<sup>92</sup> On the other hand, the KPSEZ port can be understood in relation to China's larger international investment strategy, one which some scholars have characterised as "clientelism" or "debt trap diplomacy".<sup>93</sup> While the KPSEZ port project, as well as the greater CMEC, will have

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<sup>85</sup>Ministry of Commerce of the Republic of the Union of Myanmar, 'Kyauk Phyu Special Economic Zone (KPSEZ)' (*Ministry of Commerce of the Republic of the Union of Myanmar*, n.d.)

<[https://image.mfa.go.th/mfa/o/BwVYVOn5No/migrate\\_directory/business-20180228-130025-910238.pdf](https://image.mfa.go.th/mfa/o/BwVYVOn5No/migrate_directory/business-20180228-130025-910238.pdf)> .

<sup>86</sup>ibid.

<sup>87</sup>Gregory Poling, 'Kyaukpyu: Connecting China to the Indian Ocean' (Center for Strategic & International Studies, 2018) <<https://www.csis.org/analysis/kyaukpyu-connecting-china-indian-ocean>> .

<sup>88</sup>Gregory Poling (n 86).

<sup>89</sup>ibid.

<sup>90</sup>ibid.

<sup>91</sup>ibid.

<sup>92</sup>ibid.

<sup>93</sup>Jing Gu, Shen Qiu (n 47).

significant implications on the economies involved, this section takes a closer look at the BRI's impact on people in the case of Myanmar.

### ***Employment and Wellbeing***

In general, the deep seaport, and the greater KPSEZ is expected to expedite development in the region. However, it is important to consider the winners and losers of the project to fully understand the implications of the relevant SDGs. In a recent study, Mark et al. (2020) identified the various prospective beneficiaries and losers from Myanmar's BRI projects.<sup>94</sup> In particular, one of the main trends identified is that the success of local actors heavily derived the extent to which they had strong networks with elites in China and Myanmar, and whether a successful challenge to Chinese investments had been achieved.<sup>95</sup> According to the report, unless a challenge to Chinese BRI investments is achieved, land-dependent communities will likely become subject to unchecked land grabbing, and communities in conflict ridden areas will "likely face greater rights abuses and more restrictions in access to land and natural resources".<sup>96</sup> In this regard, it is imperative that in order to ensure the realisation of, in particular SDG1 and SDG2, BRI projects be held to high human rights reporting standards. According to a recent report from the United Nations Development Programme (UNDP), in a worst-case scenario, "48.2% of Myanmar's population [...] could be living in poverty by 2022, compared with 24.8 percent in 2017."<sup>97</sup> Moreover, with increased food prices, these

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<sup>94</sup> SiuSue Mark, Indra Overland, Roman Vakulchuk, 'Sharing the Spoils: Winners and Losers in the Belt and Road Initiative in Myanmar' (Journal of Current Southeast Asian Affairs 39(3), 2020) <<https://doi.org/10.1177%2F1868103420962116>> .

<sup>95</sup> *ibid.*

<sup>96</sup> *ibid.*

<sup>97</sup> Aljazeera, 'Almost half of Myanmar risks falling into poverty by 2022: UNDP' (Aljazeera, 2021) <<https://www.aljazeera.com/economy/2021/4/30/almost-half-of-myanmar-risk-falling-into-poverty-by-2022-undp>> .

communities could find difficulties in gaining access to proper nutrition.<sup>98</sup> In this regard, while the concerns raised by the UNDP relate more to Myanmar's recent political instability and past conflicts stemming from the Rohingya crisis, projects like the BRI may pose more risks than rewards given the ecological concerns stemming from overproduction and security concerns resulting from anti-BRI movements.<sup>99</sup> While from an economic perspective, BRI projects in Myanmar may contribute to development and improve trade potential, the human impact of such projects like poverty and food insecurity must not be overlooked.

### **Health**

Like the case of Kenya, the improved interconnectedness brought on by the CMEC has the potential to bring about improved health outcomes through access to key resources and care. However, without proper governance of BRI projects, Chinese companies risk deteriorating local communities' health outcomes through environmental degradation and the breaking apart of existing healthcare sources.<sup>100</sup> In any case, healthcare expenditure in Myanmar has been on the rise for the majority of the time since the BRI was announced, with healthcare amounting to 3.05 percent of Myanmar's GDP in 2013, and 4.79 percent in 2018.<sup>101</sup> However, healthcare expenditure had already been on the rise

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<sup>98</sup>ibid.

<sup>99</sup>France24, 'Anti-China outrage pulls Beijing into Myanmar coup crisis' (France24, 2021) <<https://www.france24.com/en/live-news/20210317-anti-china-outrage-pulls-beijing-into-myanmar-coup-crisis>> .

<sup>100</sup>Angela Tritto, 'The Belt and Road Initiative as a Catalyst for Institutional Development: Evidence from Indonesia, Malaysia, and Myanmar' (The Hong Kong University of Science and Technology Institute for Emerging Market Studies (30), 2019) <<https://beltandroad.hktdc.com/en/insights/belt-and-road-initiative-catalyst-institutional-development-evidence-indonesia-malaysia>> .

<sup>101</sup>Statista Research Department, 'Health expenditure as a share of gross domestic product in Myanmar 2008 to 2018' (Statista Research Department, 2021) <<https://www.statista.com/statistics/780526/health-expenditure-share-of-gdp-myanmar/>> .



before the BRI was announced, indicating the increased healthcare expenditure in Myanmar does not relate to the BRI itself.<sup>102</sup>

While the increased health expenditure in Myanmar should lead to improved health outcomes, some have pointed out that such investments in healthcare may be jeopardised as a result of predatory lending associated with BRI projects. According to an article published by Myanmar Policy Brief, the China-Myanmar Bilateral Investment Treaty (CMBIT) allows Chinese investors the possibility to sue for lost expenses and lost future profits resulting from new regulations or policies implemented by Myanmar's government. In this regard, restrictive policies in the areas of environmental protection or public health, which may negatively impact Chinese investors, could result in fines for damages to Chinese investments.<sup>103</sup> Not only does the CMBIT mitigate incentives for Myanmar to invest in public health institutions, it also creates a situation whereby Myanmar's government is incentivised to protect Chinese investments over its own public institutions.<sup>104</sup> Myanmar's CMBIT, therefore, highlights the importance of oversight by IOs on BRI legislation to prevent predatory lending practices which may disproportionately favour Chinese companies and complicate participating countries' realisation of key SDGs.

## **Education**

According to the chairman of a local elder's association, "this is a poverty-stricken area, and we want this project to push for development".<sup>105</sup> The Chinese CITIC Group has

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<sup>102</sup>ibid.

<sup>103</sup>Myanmar Policy Brief, 'Selling the silk road spirit: China's Belt and Road Initiative in Myanmar' (Myanmar Policy Brief 22, 2019) <<https://www.tni.org/en/selling-the-silk-road-spirit>> .

<sup>104</sup>ibid.

<sup>105</sup>Huaxia, 'Xinhua headlines: Kyaukpyu port to become model project in China-Myanmar BRI cooperation' (XinhuaNet, 2020) <[http://www.xinhuanet.com/english/2020-01/18/c\\_138716099.htm](http://www.xinhuanet.com/english/2020-01/18/c_138716099.htm)> .

additionally established a training centre, for young people and low skilled workers in Kyaukpyu ultimately contributing to the SDG of quality education.<sup>106</sup> Through Chinese language courses and practical training, the training centre was established to both ensure the ability of China's CITIC Group to work alongside local organisations and to train those who will eventually work on the seaport.<sup>107</sup>

Like the case of Kenya, it is relevant to consider the extent to which training programmes associated with the BRI project contribute to the realisation of SDG4, and whether investments in education produce any true net benefit. It is therefore relevant to consider the net benefit of training programmes like those established by CITIC Group in relation to broader education prospects in the country. In 2020, students in Myanmar received an average of 10 years of schooling, the 6th least in the APAC region and significantly less than the neighbouring countries of Thailand and China, which had 12.7 and 13.1 respectively.<sup>108</sup> In this regard, given a lack of formal education in comparison to other countries along the BRI, training centres established by Chinese organisations may provide a greater net benefit for local communities, representing a previously unavailable educational opportunity.

## Conclusion

Despite the purported improvements in trade linkages and poverty levels, Myanmar's participation in the BRI, particularly in the KPSEZ has been heavily criticised by various watchdog organisations that have reported human rights violations relating to unfair

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<sup>106</sup>ibid.

<sup>107</sup>ibid.

<sup>108</sup>Statista Research Department, 'Expected years of schooling in Asia Pacific in 2020 by Country' (Statista Research Department, 2021) <<https://www.statista.com/statistics/1221804/apac-expected-years-of-school-by-country/>> .

business practices.<sup>109</sup> In a recent report from the Business & Human Rights Resource Centre, among the countries studied, Myanmar was found to have the highest number of allegations of human rights violations (97).<sup>110</sup> Moreover, many of the allegations refer to violations that took place before the recent military coup, indicating that the violations' root causes relate to a broader lack of adherence to compliance standards in China's offshore business practices as opposed to domestic political and military instability.<sup>111</sup>

In conclusion, the KPSEZ presents several opportunities for international cooperation in the Indo-Pacific and with external powers, particularly from the perspective of international trade. As a key destination along the Belt and Road, Myanmar can contribute to more streamlined global value chains, ultimately creating various job opportunities for local communities and potentially improving local communities' access to healthcare. However, human rights abuses relating to unfair business practices, a lack of social mobility for port employees and environmental risks associated with the port's construction present important challenges for the project's long-term sustainability. If the BRI in Myanmar is to offer sustainable avenues for international cooperation, participating countries, IOs and external powers must consider policy intervention.

## V. External Powers

In addition to the case studies of Kenya and Myanmar, external powers not participating in the BRI and international organisations (many of which have signed as official

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<sup>109</sup>Business and Human Rights Research Centre, "Going out" responsibly: The human rights impact of China's global investments' (*Business and Human Rights Research Centre*, 2021) <<https://www.business-humanrights.org/en/from-us/briefings/going-out-responsibly-the-human-rights-impact-of-chinas-global-investments/>> .

<sup>110</sup>ibid.

<sup>111</sup>ibid.

participants) have an important stake in ensuring that the BRI progresses with strong attention to human rights and people-focused SDGs. According to Assima Aubakir (2020), “The EU intends to cooperate with the regional countries in solving problems that affect their socio-economic development, as well as in promoting reforms. Promotion of democracy, human rights, the rule of law and gender equality are traditionally prioritised on this path”.<sup>112</sup> In this regard, the EU’s criticism of BRI projects represents not necessarily its endorsement of the project *per se*, but rather an attempt to reap the economic and political benefits of improved Sino-European trade linkages while staying firmly committed to European social values.<sup>113</sup>

Other external powers like the United States have taken a similar position on the reported human rights abuses associated with the BRI. Largely, American criticism of BRI projects reflects a general concern for China’s growing influence through the Indo-pacific and central Asia. Former secretary of state Mike Pompeo heavily criticised China and the BRI for “corrupt infrastructure deals in exchange for political influence’ and using ‘bribe-fuelled debt-trap diplomacy’”.<sup>114</sup> Overall, US politicians seem less willing to cooperate with China to improve human rights standards on the basis of the BRI reflecting a broader strategic power grab.

In this regard, disparities between the European and American views on BRI projects may be understood through the framework provided by van Noort and Colley (2021) who outlined that strategic narratives play a role in shaping external powers policy approach

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<sup>112</sup>Assima Aubakir, ‘New EU strategy for Central Asia: History, vision, prospects’ (*Central Asia and the Caucasus* (4), 2020) <<https://doi.org/10.37178/ca-c.20.4.01>> .

<sup>113</sup>Erik Brattberg, Etienne Soula, ‘Europe’s emerging approach to China’s Belt and Road Initiative’ (*Carnegie Endowment for International Peace*, 2018) <<https://carnegieendowment.org/2018/10/19/europe-s-emerging-approach-to-china-s-belt-and-road-initiative-pub-77536>> .

<sup>114</sup>Michael Swaine, ‘Chinese views and commentary on the “One Belt, One Road” initiative’ (*China Leadership Monitor* (47), 2015) <<https://www.hoover.org/sites/default/files/research/docs/clm47ms.pdf>> .

to the BRI.<sup>115</sup> For example, Italy was the first G7 member state to sign a MoU in 2019. Drawing on Italy's nationalist history and focusing on the potential for economic gain through partnering with China, van Noort and Colley (2021) contended that the Italian media's ability to frame a strategic narrative for the BRI enabled policymakers to form a partnership.<sup>116</sup> However, such a narrative was more difficult to justify in the American context given previous economic clashes between the US and China. van Noort and Colley (2021) explained that "the plot mainly raises examples of states whose economies, sovereignty, and/or security the BRI undermines".<sup>117</sup> In this regard, the strategic narrative of the US as the "world's policeman" reflects the United States' focus on the BRI as a threat to the current world order.

## VI. Policy Recommendations

Based on a general overview of four people-related SDGs (No Poverty, Zero Hunger, Good health and wellbeing, quality education), in addition to case studies of BRI projects in Kenya and Myanmar, this section has observed the extent to which countries in the Indo-Pacific and external powers can cooperate to achieve sustainable development in line with SDGs 1-4. In doing so, the forgoing analysis provides a basis on which we propose the following policy recommendations to ensure efficient and sustainable development outcomes in the Indo-Pacific.

- Make central, the commitment to human rights standards in BRI MoUs and contractual agreements.

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<sup>115</sup>Carolijn van Noort, Thomas Colley, 'How do strategic narratives shape policy adoption? Responses to China's Belt and Road Initiative'. (Review of International Studies 47(1), 2020).

<<https://doi.org/10.1017/S0260210520000388>> .

<sup>116</sup>ibid.

<sup>117</sup>ibid.

While not legally binding, the various MoU between Chinese firms and participating countries provide the central legal basis on which infrastructure projects like the SGR in Kenya and KPSEZ port in Myanmar have been undertaken. In this regard, it is necessary that parties to the agreements explicate their commitment to the protection of human rights standards. Moreover, the inherently unequal negotiating capabilities between China and various participating countries has the potential to render unfair incentives favouring China, such as the case with the CMBIT. Oversight from external powers therefore provides a mechanism through which MoU and other legislation may embody a more human rights-centred approach. To achieve this end, we suggest the following actions.

#### Policy Recommendations:

- To mandate mediation by mutually agreed upon international organisations in the development of key BRI agreements (MoU, bilateral treaties, project contracts, investment contracts).
- To require BRI MoU to include a clause on participating country's commitment to the protection of human rights within the context of the project.
- For the international community to encourage BRI agreements to adopt a multidimensional approach to human rights, recognising their interdependence and mutual influence.
- Enhance reporting requirements for human rights standards within the context of BRI projects.

In addition to improved human rights' commitments preceding the start of BRI projects, it is equally important for regulatory bodies and external powers to implement mechanisms whereby adherence to such commitments are followed through during the project itself. In this regard, it is necessary for BRI project managers to operate within the scope of clearly outlined reporting and compliance regulations. For example, in the case of Kenya's SGR, expanded upon reporting laws would serve to ensure safe working conditions, prevent discriminatory behaviour in the workplace, and improve local worker's access to higher-level managerial positions. In the Myanmar case, stricter reporting standards would allow the international community to more easily be made aware of issues surrounding the port regarding environmental degradation and the displacement of local communities in the area. In this regard, we suggest the following.

#### Policy Recommendations

- To encourage BRI project managers to identify potential threats to sustainable development goals within the context of their project, and their subsequent preventative steps.
- To encourage BRI project managers to adopt an equal access approach to hiring practices.
- To encourage BRI project managers to submit annual reports on their specific project implications on poverty, hunger, health and education in the region in question to international organisations and special interest groups.
- Increased funding to public institutions in BRI participant countries focused on poverty reduction, the distribution of foodstuffs, access to healthcare and education.

The case studies of Kenya and Myanmar both highlight the role of public institutions as institutions through which SDGs 1-4 may be realised. In Kenya, TVET programmes improved local communities' access to employment opportunities and instilled a newfound entrepreneurial spirit.<sup>118</sup> In Myanmar, despite being at risk due to the CMBIT, increased healthcare expenditure was expected to improve health outcomes throughout the country. In this regard, in addition to infrastructural investments for the purposes of improving international trade, BRI-related investments in public institutions such as hospitals and job training clinics can positively contribute to the realisation of SDGs 3 and 4, ultimately resulting in a positive knock-on effect to SDGs 1 and 2. To increase such investments, the following is suggested.

#### Policy Recommendations

- To encourage external powers to invest in public institutions, alongside Chinese infrastructural investments, to diversify participating countries' international ties and promote the development of public institutions.
- To encourage international organisations and privately held special interest groups to subsidise Chinese investments in public institutions to promote people-focused investments in addition to infrastructural investments.

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<sup>118</sup> Caroline Musyim, Joseph Malechwanz, Heng Luo (n 6g).



## Prosperity

### I. General Overview

The extent to which the BRI increases economic prosperity in recipient nations has been a major source of contention. For China, comparisons between the BRI and Silk Road not only imply a shared structure for commercial trade, but a cooperative culture of “mutual benefit”.<sup>119</sup> Improvements to material prosperity are crucial to the success of the BRI itself: a project intended to foster sustainable, long-term economic development. For external commentators, the BRI’s ambitions also mirror the post-1945 international order, where the Marshall Plan helped promote dollar internationalisation and boost American hegemony.<sup>120</sup> Scholars are divided on the initiative’s economic impacts, particularly given the early stages of many projects, as well as its large geographical reach.

### II. Sustainable Development Goals

According to Xi Jinping, the BRI would achieve a “win-win” situation for both China and recipient nations, helping to shift China’s manufacturing and industrial surplus into countries which are fiscally constrained.<sup>121</sup> BRI initiatives are theoretically multi-lateral and market-oriented, with aims such as improving “infrastructure connectivity, financial partnership, and unimpeded trade”.<sup>122</sup> These align closely to the UN development goals of improving infrastructure (9.1), boosting financial connectivity (8.10), and promoting

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<sup>119</sup> Weidong Liu, *The Belt and Road Initiative : A Pathway towards Inclusive Globalization* (China Perspectives Series 2019)

<sup>120</sup> Ibid.

<sup>121</sup> Piotr Łasak and René W h van der linden, *The Financial Implications of China's Belt and Road Initiative : A Route to More Sustainable Economic Growth* (Palgrave Pivot 2019)

<sup>122</sup> Irina Ionela Pop, 'Strengths and Challenges of China’s “One Belt, One Road” Initiative' (Centre for Geopolitics & Security in Realism Studies (CGSRS), 09 February ) <<http://cgsrs.org/publications/46>> accessed 1 October 2021

trade between regions (8.1) This section will build on this research, and use Goals 8 and 9 of the UN's Sustainable Development Index as a benchmark to assess the project's impacts in the Indo Pacific region. The wider impacts of these policies on the individual, and on geopolitical relationships between BRI stakeholders more generally, are detailed in the people and partnerships sections of the paper. Within each category, quantitative economic metrics are used as key performance indicators (KPIs) to assess the success of individual projects.

**Table 3: Key Performance Indicators for Prosperity**

Target	Key Performance Indicators (KPIs)
<b>Develop Sustainable, Resilient, and Inclusive Infrastructure</b>	<ul style="list-style-type: none"> <li>● Level of FDI</li> <li>● Reduction in transport costs</li> <li>● Increase to GDP/national income</li> </ul>
<b>Increase Aid For Trade Support</b>	<ul style="list-style-type: none"> <li>● Increase in exports</li> <li>● Improved industrial capacity</li> <li>● Strengthened labour productivity</li> </ul>
<b>Strengthen the Capacity of Domestic Financial Institutions to Encourage and Expand Access to Banking, Insurance and Financial Services for All</b>	<ul style="list-style-type: none"> <li>● Diversification of financing methods</li> <li>● Transparency of loans</li> <li>● Sustainability of debt</li> </ul>

### ***Develop Sustainable, Resilient and Inclusive Infrastructure***

Improvements to infrastructure, and whether increasing FDI results in positive outcomes for business costs and trade, is a key mechanism by which the economic

impacts of the BRI can be assessed. In an influential study by Chan (2019), large-scale BRI infrastructure projects were argued to lead to positive spill-over effects for recipients, including increasing the efficiency of supply chains, improving export revenue, and increasing regional connectivity.<sup>123</sup> From 2014 to 2020, there were 58 recorded cases of outward Chinese Direct Investment in transport infrastructure alone, reaching a total value of \$40.4 billion.<sup>124</sup> These include ambitious cross-continental projects like the New Eurasia Land Bridge Economic Corridor, which connects Western China with countries, such as Kazakhstan, Russia, and Western Europe. The OECD predicts that BRI investment projects will add over \$1 trillion of outward funding for foreign infrastructure by 2027. Furthermore, the ASEAN Development Bank (ADB) estimates that from 2016 to 2030, the total infrastructure investment needs in ASEAN will increase to \$3.1tr, with an annual financing gap of 3.8- 4.1% of GDP.<sup>125</sup>

Reductions in transport costs is a second KPI against which BRI projects can be assessed. In brief, most economic literature suggests that the macroeconomic effects of heightened infrastructure will be largely positive, although this will vary between regions, and may be offset by its negative implications for financing.<sup>126</sup> Quantitative studies by Villafuerte et al. (2016) showed that 25% and 5% reductions in road and sea transport costs respectively would lead to an increase in economic welfare of around \$94 billion in Asia alone. However, since investments are targeted to the existing infrastructure capacity of recipient nations, countries with poor transport links have the highest potential to benefit. For instance, East and Southeast Asian countries are estimated to see infrastructure-driven increases to national income of 10.5% (Pakistan),

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<sup>123</sup> Man Hung Thomas Chan, 'The Belt and Road Initiative – the New Silk Road: a research agenda' [2018] 7(2) *Journal of Contemporary East Asia Studies* 104-123

<sup>124</sup> Zhenhua Chen and Ximmeng Li, 'Economic Impact of Transportation Infrastructure Investment under the Belt and Road Initiative' [2021] *Asia Europe Journal* 1-29

<sup>125</sup> Asian Development Bank, 'Meeting Asia's Infrastructure Needs' (Asian Development Bank, February 2017) <<https://www.adb.org/publications/asia-infrastructure-needs>> accessed 12 September 2021

<sup>126</sup> Ibid.

8.2% (Thailand), and 7.7% (Malaysia).<sup>127</sup> This compares to De Soyresa's estimate of a global average of 3.35% for all BRI countries.<sup>128</sup> Improved transport should also lead to higher demand for construction, building materials, and energy supplies, helping to develop manufacturing cooperation and resource sharing.<sup>129</sup>

The extent to which infrastructure actually improves long-term, economic growth is a key question. Sceptics such as Brahma Chellaney have questioned the financial sustainability of these short-term gains.<sup>130</sup> For example, they have accused China of “debt-trap diplomacy” – the aim of which is to seize the natural resources and economic autonomy of developing nations.<sup>131</sup> Projects such as Pakistan's Gwadar Port have faced criticism for their initial unprofitability. When recipient countries become overwhelmed by debt, Chinese state-owned enterprises can often take majority stake control in these projects. The impact of specific projects have differed considerably between regions, with charges of corruption on the East Coast Rail Link (ECRL) project in Malaysia and geopolitical tension disrupting the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC).<sup>132</sup> Proposals are also complicated by the interest of external powers like the US in the Indo Pacific region, with the US Agency for International Development (USAID) attempting to partner with nations like Japan, India, and Australia as a counterpart to the BRI. Nonetheless, countries like Pakistan, Ecuador, and Zambia have seen greater success in negotiating repayment deferrals despite having to

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<sup>127</sup> Zhenhua Chen, and Ximmeng Li, 2021.

<sup>128</sup> François De Soyres and others, 'Common Transport Infrastructure: A Quantitative Model and Estimates from the Belt and Road Initiative' [2019] 1(8801) International Finance Discussion Papers 1-46

<sup>129</sup> Fan Zhai, 'China's belt and road initiative: A preliminary quantitative assessment' [2018] 55(1) Journal of Asian Economics 84-92

<sup>130</sup> Brahma Chellaney, 'China's Debt-Trap Diplomacy' (Project Syndicate, 23 January 2017)

<<https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01>> accessed 31 October 2021

<sup>131</sup> Ibid.

<sup>132</sup> Md Safiqul Islam and others, 'Major Challenges and Remedies in Building the Bangladesh-China-India-Myanmar Economic Corridor' [2018] 4(4) China Quarterly of International Strategic Studies 613-629

make concessions, suggesting more opportunities for debt sustainability.<sup>133</sup> Given the decentralised nature of financing, the success of future investment depends on how specific debt obligations are negotiated, as well as the engagement of institutions like the World Bank and OECD countries in assisting with financing.<sup>134</sup>

### ***Increase Aid For Trade Support***

With many Indo-Pacific countries, particularly those in Southeast Asia, reliant on export-led growth, greater connectivity could help boost trade, although the long-term structural impacts are uncertain. Premised upon reviving trade along the historical Silk Road, the BRI also has potential to increase prosperity through boosting trade between nations. As Senior Economist Joanna Konings estimates, trade between BRI countries accounts for a quarter of all worldwide trade.<sup>135</sup> A halving of trade costs between these countries would increase world trade by up to 12%.<sup>136</sup> Through reducing transport costs, improving manufacturing infrastructure, and boosting domestic wealth, the BRI should reduce trade barriers and stimulate further growth.<sup>137</sup>

The BRI should theoretically improve both the productive capacity and supply chains of recipient countries, allowing for a more dynamic exchange of goods and services. The official strategy of promoting “policy coordination, technology sharing, and engineering co-operation” would improve productive efficiencies and allow countries to diversify their local economies.<sup>138</sup> As of 2016, 56 industrial and cooperation zones were built in 20

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<sup>133</sup> Mengdi Yue, 'Brief: Public Debt in the Belt and Road Initiative (BRI) – How Covid-19 has Accelerated an Ongoing Problem of China's Lending' (Green Finance & Development Centre, 8 December 2018) <<https://greenfdc.org/public-debt-in-the-belt-and-road-initiative-bri-covid-19/>> accessed 14 October 2021

<sup>134</sup> Asian Development Bank, 2017.

<sup>135</sup> Joanna Konings, 'Trade impacts of the Belt and Road Initiative' [2018] ING Global Economics 1-12

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> OECD, 'China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape' [2018] 1(1) OECD Business and Finance Outlook, 1-46

countries, such as the Thai-Chinese Rayong Industrial Zone (TCRIZ).<sup>139</sup> These aim to allow free trade and promote a sharing of technological capabilities, ultimately enhancing trade capacity. With recipient countries like Mongolia still seeing high primary sector dependence, agriculture composing 15.75% of GDP in 2014, compared to 5.03% in Europe, manufacturing aid will largely boost domestic industries.<sup>140</sup> Moreover, projects like the ECRL, which pledged a 70% Malaysian workforce and offered three-month training programmes, have the potential to boost the human capital of local workers.<sup>141</sup> This strategy coincides with China's excess industrial capacity in equipment such as steel and electrical equipment. There is even potential to expand what Deloitte terms the "Digital BRI", encompassing technological developments like 5G networks and space exploration.<sup>142</sup> However, these will be highly dependent on the synchronisation of industrial processes, implementation of strong partnerships, and training of local workers.

Current inefficiencies are predominantly driven by outdated transport networks. When the BRI was launched in 2013, trade costs were estimated to be double the value of goods traded between China, Germany, and current BRI recipients.<sup>143</sup> Efforts to improve logistics, such as through special customs supervision zones, border cooperation zones, and storage warehouses, have also been a key component of trade facilitation.<sup>144</sup> The successful negotiation and implementation of BRI free trade zones will likely boost both

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<sup>139</sup> Belt and Road Portal, 'Macroeconomic Data' (Belt and Road Portal, 19 October 2021) <<https://eng.yidaiyilu.gov.cn/dsjym.htm> > accessed 31 October 2021

<sup>140</sup> Lianbiao Cui and Malin Song, 'Economic evaluation of the Belt and Road Initiative from an unimpeded trade perspective' [2018] 22(1) *International Journal of Logistics Research and Applications* 25-46

<sup>141</sup> Daniel R. Russel and Blake Berger, 'Navigating the Belt and Road Initiative' [2019] *Asia Society Policy Institute* 1-44

<sup>142</sup> Deloitte, 'BRI update 2019—recalibration and new opportunities' (Deloitte, 2019) <<https://www2.deloitte.com/cn/en/pages/soe/articles/bri-update-2019-recalibration-and-new-opportunities.html> > accessed 1 October 2021

<sup>143</sup> Joanna Konings, 2018.

<sup>144</sup> Weidong Liu, 2019.

imports and exports, although the impacts will vary between sectors and will depend on political cooperation.

Countries with high trade dependence, such as Malaysia, Thailand, and Vietnam, as well as those in Eastern Europe, will see the most significant gain through aid to trade.<sup>145</sup> This in theory should also bring positive spillover effects to Australia, New Zealand, as well as external powers like the US who engage in trade with BRI countries. On the other hand, some studies have suggested that non-BRI countries could see negative consequences as a result of the exclusionary nature of trading blocs, with Poland seeing a 0.4% export decline in a model by Maryla Maliszewska.<sup>146</sup> There is also scepticism as to whether cheaper Chinese imports may displace local firms and create unemployment in less developed nations. Whereas previous research suggested that Chinese investment in regions like Africa which promoted imports produced negative impacts for small businesses, this is also offset by higher training and use of local personnel.<sup>147</sup> The impacts of this would, however, clearly differ for more developed countries like Poland, where local skilled labour is in abundant supply.

***Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all***

The BRI has considerable potential to form new political relationships with external powers such as financial institutions. As detailed in the “Partnerships” section of this paper, the BRI could create new mechanisms through which multilateral development financing can be achieved. Developing countries have traditionally relied upon Western institutions like the World Bank as a source of long-term finance. Since the 2008

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<sup>145</sup> Fan Zhai, 2018.

<sup>146</sup> Maryla Maliszewska, 'The Belt and Road Initiative : Economic, Poverty and Environmental Impacts' [2019] World Bank Group.

<sup>147</sup> Manuel Anja, 'China Is Quietly Reshaping the World' (The Atlantic, 17 October 2017) <<https://www.theatlantic.com/international/archive/2017/10/china-belt-and-road/542667/>> accessed 3 October 2021.

Financial Crisis, China invested heavily in US Treasury bonds, helping it to keep the RMB cheap, and ensure favourable export prices. More recently, China's attempts to increase external investment and internationalise the RMB has seen it use up its foreign currency supplies, as well as promote domestic financial institutions. These include the Silk Road Infrastructure Fund, the Asian Infrastructure Investment Bank (AIIB), and the New Development Bank (NDB).<sup>148</sup> Increasing bilateral financial cooperation and promotion of the RMB would reduce exposure to the dollar and allow China to better invest its capital surpluses.

However, contrary to the assumptions of much earlier literature, the decentralised nature of BRI partnerships means that most financing is executed on a flexible basis by a range of institutions. For instance, as Liu Weidong et al. argue, these take the form of pure aid, preferential loans, development finance, commercial loans and various special funds.<sup>149</sup> These have also helped establish local financing agreements with partner nations, such as the China-ASEAN, China-Arab, China-ECE (Eastern and Central Europe), and SCO (Shanghai Cooperation Organisation) Interbank Consortiums.<sup>150</sup> Kazakhstan, for instance, has invested in the establishment of Astana International Financial Centre (AIFC) to diversify its funding sources away from Western institutions.<sup>151</sup>

Sceptics of China's potentially predatory use of loans have suggested that this "debt-trap diplomacy" will not only undermine the financial capacity and autonomy of recipient countries, but could damage China's relationship with institutions like the IMF.<sup>152</sup> This

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<sup>148</sup> Hideo Ohashi, 'The Belt and Road Initiative (BRI) in the context of China's opening-up policy' [2018] 7(2) *Journal of Contemporary East Asia Studies* 85-103

<sup>149</sup> Weidong Liu and others, 'Financing the Belt and Road Initiative' [2020] 61(2) *Eurasian Geography and Economics* 137-145

<sup>150</sup> *Ibid.*

<sup>151</sup> Karen PY Lai and others, 'Financing the Belt and Road Initiative (BRI): research agendas beyond the "debt-trap" discourse' [2020] 61(2) *Eurasian Geography and Economics* 109-124

<sup>152</sup> *Ibid.*



has also been a sentiment echoed by external powers like the US, as well as Indo-Pacific countries with ties to BRI projects, like Japan, India and Australia. This narrative, originating from China's seizure of infrastructure assets like the Gwadar Port, has portrayed the BRI as a form of "neo-colonialism", and a threat to long-term regional prosperity. Critics of this interpretation, such as Karen P Y Lai et al., have pointed instead to the fragmented nature of financing and the diversity of economic actors involved. Moreover, Tim Summers has doubted whether the BRI will fundamentally alter the structure of global finance, suggesting that many projects still rely on the US dollar as a de facto currency, and continue to be subject to IMF and World Bank regulation.<sup>153</sup>

The BRI, and its efforts to unite global efforts to boost prosperity, will likely create greater competition between international organisations and third parties. In December 2021, the EU's launching of the Global Gateway created what Jonathan Holslag termed a "democracy and transparency-oriented alternative to the Chinese Belt and Road Initiative".<sup>154</sup> Although the EU is yet to clarify the scope and timeline of the Global Gateway, it is expected that the project will also channel investment into improving global connectivity across low and middle-income countries.<sup>155</sup> Yet despite having similar ambitions to the BRI, it is far from certain that these projects will be in direct conflict with one another. Regardless of the outcome, it appears that the successful expansion of the BRI has stimulated revived efforts from external actors to take a more active approach to foreign investment, particularly in the realm of sustainable development. Whether this results in greater political conflict remains uncertain, although the

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<sup>153</sup> Tim Summers, 'Structural power and the financing of the Belt and Road Initiative' [2020] 61(2) *Eurasian Geography and Economics* 146-151

<sup>154</sup> Lenker Elisa, 'EU Global Gateway: A Challenge To The Chinese Belt And Road Initiative?' (*STEAR Think Tank*, 28 January 2022) <<https://www.stearthinktank.com/post/eu-global-gateway-challenge-to-belt-road-initiative>> accessed 25 February 2022

<sup>155</sup> *Ibid.*

ambitions of such projects demonstrate the importance of effective long-term strategic planning for the BRI, particularly in achieving this common target of prosperity.

Ultimately, although current debate over the motivations behind China's financial strategy is likely to be unresolved, both China and recipient countries are becoming increasingly aware of the need for finance to be sustainable and transparent. As Liu Weidong argues, the implementation of this will, like most other aspects of the BRI, vary according to the institutional backdrop, economic capacity, and business culture of individual nations.<sup>156</sup> Although projects undoubtedly run the risk of internal corruption and a lack of profitability due to poor planning, China's ability to invest excess capital supplies means that countries should benefit from greater sources of financing. Deeper economic integration will, however, depend on the ability and willingness of host nations to secure favourable financing agreements, as well as China's ability to promote the RMB as an international currency.

### **III. Case Studies**

In order to accurately represent the range of academic opinions on the economic success of the BRI, Pakistan and Sri Lanka are used as case studies. Both countries represent regions of significant FDI and media attention, seeing flagship projects like the construction of Gwadar and Hambantota Ports.<sup>157</sup> Yet despite China's efforts, current economic data has suggested a divergence in the extent to which investment has led to prosperous outcomes in these two countries. For Pakistan, a study by the World Bank has predicted largely positive forecasts, ranking the nation as the greatest benefactor of the BRI with a predicted economic welfare gain of 10.5% by 2030.<sup>158</sup> The large scale of the

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<sup>156</sup> Weidong Liu and others, 2020.

<sup>157</sup> Jacob Mardell, 'The BRI in Pakistan: China's flagship economic corridor' (Merics, 20 May 2020) <<https://merics.org/en/analysis/bri-pakistan-chinas-flagship-economic-corridor>> accessed 31 October 2021

<sup>158</sup> Maryla Maliszewska, 'The Belt and Road Initiative : Economic, Poverty and Environmental Impacts' [2019] World Bank Group

projects involved help facilitate a direct assessment of the BRI's performance against the KPIs involved with infrastructure, trade, and finance. Although investment into Pakistan has not been free of controversy, the BRI's attempts to address specific issues such as poor transport and energy networks represents a benchmark for what future projects could strive to achieve.<sup>159</sup>

For Sri Lanka, although China's attempts to increase prosperity have been notable, the experience of locals, and one which is echoed in academic discourse, is more negative. Insufficient planning resulted in the underwhelming financial performance of key infrastructure projects, whilst KPIs related to export growth and productivity are yet to be realised.<sup>160</sup> More importantly, the Hambantota project has been a major source of criticism for China's methods of financing, cited as a common example of "debt-trap diplomacy".<sup>161</sup> Analysing the wider macro-economic context of China's investment into Sri Lanka will help provide data to substantiate or provide nuance to the narratives of the BRI as a whole. Adapting to the challenges and controversies the project has seen will also help inform our policy recommendations and standards of best practice which BRI stakeholders should adopt going forward.

## **Pakistan**

The China-Pakistan Economic Corridor (CPEC) best highlights the potential prosperity gains the BRI could achieve. Plans for such a corridor preceded the formal announcement of even the BRI itself, with Pakistan's then-prime minister Nawaz Sharif overseeing Chinese investment into the port of Gwadar.<sup>162</sup> CPEC has been one of the most expensive examples of outward Chinese investment, with cost predictions up to

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<sup>159</sup> Safiya Aftab, 'Pakistan's energy crisis: causes, consequences and possible remedies' [2014] Norwegian Peacebuilding Resource Centre 1-6

<sup>160</sup> Zhen Wang and Feng Ye, 'China-Sri Lanka Relations in the Context of the 21st-Century Maritime Silk Road' [2019] 43(3) Asian Perspective 481-503

<sup>161</sup> Ibid.

<sup>162</sup> Jacob Mardell, 2020.

\$75 billion, representing over 25% of Pakistan’s annual GDP.<sup>163</sup> The project will connect Xinjiang with the port of Gwadar, and is estimated to halve transport costs along the corridor.<sup>164</sup> These are predicted to directly address the KPIs of increasing exports, industrial capacity, and labour productivity. The implied result would be an increase in the KPI of sustainable GDP growth. The initiative has also been one of the most holistic, encompassing energy projects, railways, and industrial zones, but has faced criticism over the level of Chinese ownership, and the negative social externalities which arise from construction.

Current projects have highlighted the importance of tailoring investment to the developmental needs of recipient countries. Despite having the sixth largest population in the world, Pakistan faces a chronic energy crisis, and suffers from poor transport links between inland cities and ports like Gwadar.<sup>165</sup> On the other hand, the country benefits from a prime location along the “Silk Road Belt”, as well as convenient access to the Arabian Sea. China is also Pakistan’s second largest trading partner, and accounts for 24.78% of all Pakistani exports.<sup>166</sup> Through developing this unique convergence of economic interests in the Indo-Pacific, CPEC is arguably the BRI project with the most potential to raise prosperity through the KPI of export growth.

Given Pakistan’s low present level of infrastructure stock and high manufacturing potential, Chinese investment could directly address the KPIs related to facilitating transport and trade. Economist Muhammad Saqib Irshad recently termed Gwadar the “precious stone” in the BRI, particularly given that China’s Kashgar benefits from direct

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<sup>163</sup> Kiran Hassan, 'CPEC: A win-win for China and Pakistan' (De Gruyter, 15 April 2020) <<https://www.degruyter.com/document/doi/10.1515/humaff-2020-0020/html>> accessed 3 October 2021

<sup>164</sup> Zhenhua Chen and Ximmeng Li, 2021.

<sup>165</sup> Yanying Huang and others, 'The stakeholder analysis for SEA of Chinese foreign direct investment: the case of 'One Belt, One Road' initiative in Pakistan' [2017] 35(2) Impact Assessment and Project Appraisal 158-171

<sup>166</sup> World Bank, 'Pakistan Trade' (World Integrated Trade Solutions, 2019) <<https://wits.worldbank.org/countrysnapshot/en/PAK>> accessed 31 October 2021

access to the port through the Karakorum Highway (KKH).<sup>167</sup> Investments in Gwadar Port, eventually leading to an international trading hub based on China's Special Economic Zones, will provide significant opportunities for Pakistan to profit from the shipping and handling of goods. For example, Fan Zhai predicts that cost savings through projects such as the improvement of the Port of Gwadar connections, through highway, rail and pipeline infrastructure, will lead to a 10.5% welfare gain by 2030: the highest out of all recipient nations. Investments in wider infrastructure, such as the \$250 million Gwadar International Airport, will be a major step in international cargo-shipping. This points to significant reductions in transport costs, resulting in increases in GDP. These also point to potential socio-economic developments through a long-term diversification into sectors like tourism, particularly to nearby regions like the Baluchistan province, which is known for its natural reserves and attractions.

Moreover, the BRI is predicted to help address one of Pakistan's most fundamental obstacles to long-term prosperity: an acute energy crisis. This will address the KPIs related to industrial capacity and productivity. Pakistan's historic dependence on expensive imported oil fuelled a phenomenon of circular debt in the energy sector, undermining initiatives which aimed to diversify to cheaper and more environmentally-friendly energy sources such as hydropower.<sup>168</sup> According to the Ministry of Finance, the present energy crisis, characterised by high prices and frequent power shortages, shaves around 2% from annual GDP growth.<sup>169</sup> According to the World Bank survey, 66.7% of businesses in Pakistan believe that electricity shortages are a more significant obstacle to business than corruption (11.7%) and terrorism (5.5%).<sup>170</sup> Through a combination of state and private BRI enterprises, around 33.8 USD billion is being invested in Pakistan's

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<sup>167</sup> Muhammad Saqib Irshad, 'One Belt and One Road: Does China-Pakistan Economic Corridor Benefit for Pakistan's Economy?' [2015] 6(24) *Journal of Economics and Sustainable Development*, 1-8

<sup>168</sup> Safiya Aftab, 1-6.

<sup>169</sup> *Ibid.*

<sup>170</sup> Muhammad Salar Khan, 'Powering the Powerless in Pakistan' (*The Diplomat*, 02 November 2018) <<https://thediplomat.com/2018/11/powering-the-powerless-in-pakistan/>> accessed 31 October 2021

energy sector. These include the \$1.8bn Suki Kinari hydropower project in Pakhtunkhwa, as well as the coal-fired Port Qasim power project, which has been fully operational since 2018.<sup>171</sup> Pakistan energy projects constituted 57% of all energy-related BRI investments in 2020, and will establish key mineral extraction and processing zones in cities like Balochistan.<sup>172</sup> By addressing a key barrier to effective production, these BRI projects could address the KPI of industrial capacity and increase competitiveness. Reductions in the cost of transport could also increase exports, ultimately leading to higher revenues and incomes. Additionally, prosperity gains are not solely restricted to Pakistan, but could produce positive spillover effects as neighbouring regions like Uzbekistan, Kazakhstan, and Azerbaijan benefit from cheaper energy routes.

Nonetheless, concerns have arisen due to an agreement to lease out the port of Gwadar to the state owned China Overseas Port Holding Company (COPHC) for a duration of 40 years. The BRI does help address the KPI of financial diversification insofar as it provides an alternative source of loans. However, the KPIs related to sustainable financing have faced more scrutiny over Pakistan's loss of sovereignty. During this lease period, COPHC is estimated to receive 91% of the revenue from the operations of the port and 85% of the revenue generated by the free zone.<sup>173</sup> Although predicted to lead to large economic gains, it is therefore uncertain whether the returns created by CPEC will trickle down to the local population without a significant time-lag.<sup>174</sup>

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<sup>171</sup> Digvijay Bhusan, 'Biggest power plants under China's Belt and Road Initiative (BRI)' (Power Technology, 23 April 2019) <<https://www.power-technology.com/features/biggest-power-plants-chinas-belt-road-initiative/>> accessed 13 October 2021

<sup>172</sup> Rashid Menhas and others, 'Sustainable Development under Belt and Road Initiative: A Case Study of China-Pakistan Economic Corridor's Socio-Economic Impact on Pakistan' [2019] 11(6143) Sustainability 1-24

<sup>173</sup> Gurmeet Kanwal, 'Pakistan's Gwadar Port: A New Naval Base in China's String of Pearls in the Indo-Pacific' (Centre for Strategic & International Studies, 2 April 2018) <<https://www.csis.org/analysis/pakistans-gwadar-port-new-naval-base-chinas-string-pearls-indo-pacific>> accessed 31 October 2021

<sup>174</sup> Zhenhua Chen & Ximmeng Li, 2021.

Moreover, a combination of social and political factors represent risks to CPEC's ambitions of achieving common prosperity through BRI investment. Economic prosperity is also believed to disproportionately benefit the traditionally dominant Punjab province, with economists raising questions over Pakistan's ability to repay such a large volume of Chinese loans.<sup>175</sup> As recent as August 2021, the Balochistan Liberation Army (BLA) claimed responsibility for a suicide bomber attack targeted against Chinese nationals, triggered by local water and electricity shortages.<sup>176</sup> The extent to which the "economic-corridor" of CPEC can continue as a viable trade route is uncertain.

However, given the high costs associated with land transport, the holistic nature of investment, and current optimism about future Sino-Pakistani relationships, the project could prove to be a fundamental step towards the general KPIs related to prosperity.

### **Sri Lanka**

BRI projects in Sri Lanka, most notably investment into the ports of Colombo and Hambantota, have faced great controversy over their ability to address the KPIs associated with prosperity. With most projects in their early stages of development and yet to actualise returns, their long-term impacts on GDP growth, industrial capacity, or trade are more uncertain compared to Pakistan. The heavy operational losses incurred by Sri Lanka's government after investment into Hambantota resulted in 70% of the port being leased to China for 99 years: an example of what critics termed "debt-trap diplomacy".<sup>177</sup> Chinese investment has also faced charges of displacing local workers, and creating infrastructure ill-suited to the needs of the local population.<sup>178</sup> Nonetheless, as

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<sup>175</sup> Andrew Small, 'First Movement: Pakistan and the Belt and Road Initiative' [2017] 24(1) National Bureau of Asian Research 80-87

<sup>176</sup> Shah Meer Baloch, 'Protests in Pakistan erupt against China's belt and road plan' (The Guardian, 20 August 2021) <<https://www.theguardian.com/environment/2021/aug/20/water-protests-in-pakistan-erupt-against-chinas-belt-and-road-plan>> accessed 31 October 2021

<sup>177</sup> Ganeshan Wignaraja and others, 'Chinese Investment and the BRI in Sri Lanka' (Chatham House, 24 March 2020) <<https://www.chathamhouse.org/2020/03/chinese-investment-and-bri-sri-lanka>> accessed 6 October 2021

<sup>178</sup> Ibid.

recent analysis suggests, it is unclear whether the BRI itself is responsible for these issues. Indeed, more proactive attempts to increase transparency, mutual planning, and skill-sharing could help work towards the KPIs related to sustainable finance.

China's investment into Sri Lanka rose sharply in line with the KPI of increased FDI, amounting to \$12.1 billion from 2006-2019, but is still insufficient to meet the nation's infrastructure gap.<sup>179</sup> This came after several decades of civil war and developmental stagnation, with the economy heavily reliant on primary sector exports like tea, coconut, and fish.<sup>180</sup> Much of its strategy has been termed the "Mahinda Vision", shaping the Colombo and the Hambantota regions into centres for business, trade, and cultural activities like tourism.

For Colombo, material gains from the BRI have been overshadowed in recent years by social and political conflict, although there remains significant opportunities for projects to fulfil their economic potential. The BRI has seen some improvements relating to the KPIs of reducing transport costs, improving industrial capacity, and boosting exports. Initial projects like the CICT Colombo Terminal saw considerable success, gaining \$500 million worth of funding from the China Merchant Port Holdings Company.<sup>181</sup> CICT remains the only deep-water terminal in South Asia, handling more than 20,000 twenty-foot-equivalent-unit (TEU) vessels and allowing Colombo to become the 11th best connected port in the world after ranking 23<sup>rd</sup> in 2019.<sup>182</sup> However, other initiatives, such as the Colombo Port City Project, an attempt at large-scale land reclamation, was disrupted by political struggles, and resulted in the contractors suffering a daily loss of \$380,000.<sup>183</sup>

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<sup>179</sup> Ibid.

<sup>180</sup> Zhen Wang and Feng Ye, 481-503.

<sup>181</sup> Ganeshan Wignaraja and others, 2021.

<sup>182</sup> Ibid.

<sup>183</sup> Zhen Wang and Feng Ye, 2019.



Similarly, the flagship Hambantota Port Development Project has faced criticism for its creation of unmanageable debts, as well as China's restructuring proposals which increase its own control over the initiative.<sup>184</sup> These suggest that the greatest issue is still to do with the transparency and sustainability of debts. Originally, the project was characterised by mutual-cooperation, and high optimism on both sides that these investments would boost regional prosperity. Forecasts estimated that the project would create 100,000 jobs for Sri Lankans through transforming the port into an industrial centre, featuring shipping, manufacturing, and agricultural processing units.<sup>185</sup> However, due to inefficiencies in planning and construction, the project incurred lengthy delays and higher than anticipated costs, exacerbating the nation's debt problems.<sup>186</sup> A nearby project, the Hambantota International Airport, was termed by local media as the "world's most empty airport", reflecting poor economic strategizing and planning.<sup>187</sup> Ultimately, after construction stalled in 2016 due to Sri Lanka's crippling public debt, the government was forced to agree a "debt-for-equity swap" to China Merchants Holdings: the company managing the project.<sup>188</sup> This proposal resulted in China Merchants taking a 70% stake in the port for ninety-nine years in return for a payment of \$1.12 billion to help Sri Lanka repay its debts.

Critics, such as Mike Pence and George Soros, highlighted this case of Hambantota as an example of China's use of "debt-trap diplomacy".<sup>189</sup> These arguments suggest that China's extension of large loans for commercially inviable projects is a deliberate attempt to seize control of foreign assets, and increase Chinese influence in developing markets. On the other hand, empirical evidence by a Chatham House Paper has pointed

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<sup>184</sup> Ibid.

<sup>185</sup> Ibid.

<sup>186</sup> Ganeshan Wignaraja and others, 2021.

<sup>187</sup> Zhen Wang and Feng Ye, 2019.

<sup>188</sup> Ibid.

<sup>189</sup> Ganeshan Wignaraja and others, 2021.

out that although Sri Lanka's total public debt to China rose from 3.2% to 5.6% of GDP, this was still significantly less than its total debt to financial markets through bonds (18.2%) and multilateral lenders (8.9%).<sup>190</sup> Nonetheless, China has faced considerable criticism for offering loans to nations with unstable finances, with opponents arguing that the BRI intentionally aims to force countries to default on their debts, and thus render themselves vulnerable to concessions. The consequences of this are underpinned by institutional weaknesses and productivity failures in its respective industries. Recipient countries should therefore strive to manage debt-sustainability, providing potential for technical assistance with international organisations like the IMF and World Bank. These external powers should strive to undertake more proactive due diligence on large projects, and be prepared to enforce international financing standards and regulations. The issues raised by Sri Lanka also point towards the need for greater stakeholder consultation, well-thought out planning, and transparent reporting for future BRI projects.

#### **IV. Policy Recommendations**

- Ensure contractors have the tools and incentives for necessary due-diligence on projects

It is recommended that:

- China should seek to pay more holistic attention to the financial status of recipient nations, technical risks projects could face, and potential social backlash. In areas such as Pakistan and Sri Lanka which have seen cultural, religious, and political conflict, BRI projects could benefit from greater consultation with local activists in order to minimise protests, such as those seen in Gwadar (2021).

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<sup>190</sup> Ibid.

- The BRI should produce transparent and realistic cost-benefit analyses of projects, taking into account specific lease agreements which result in partial Chinese ownership of certain infrastructure, such as the Hambantota Port.
- The BRI should encourage greater uniformity of due diligence preparation, using international standards like the G20 Principles for the Infrastructure Project Preparation Phase. Prosperity should be socially inclusive, taking into account global environmental, social, and governance (ESG) standards. Chinese investors should also re-consider the environmental implications of projects such as the Port Qasim coal plant, which have become increasingly controversial despite delivering financial returns.
- The BRI recipients and external actors should ensure that local and foreign contractors are well informed on the potential risks projects could face in host nations, particularly when arranging long-term contracts or memoranda of understanding (MOUs). The case studies of Pakistan and Sri Lanka show that early stages of negotiation were likely clouded with unrealistic time-scales or financial estimates regarding the future performance of BRI projects.
- BRI recipient countries refrain from entering into agreements under which, in the opinion of financial advisors, recipients are unlikely to pay off their debts. A restructuring of the debts associated with the Gwadar or Hambantota ports based on variable interest rates or a share of profits, rather than Chinese ownership, may be preferable if a default has already occurred.
- Recipient countries consult shareholders and local residents in regular meetings before signing off on large or costly projects. Stakeholder

consultation would help avoid cases like Indonesia's Jakarta–Bandung High Speed Railway, which resulted in incomplete land acquisition assessments and resulted in a delay of two years.

- Recipient countries should seek pro-bono advice from international organisations such as law firms if funds are limited. Local organisations should also cooperate with Chinese and external investors to ensure risk assessments reflect regional business environments and stakeholder concerns.
- Ensure that debt financing is sustainable, transparent, and flexible

It is recommended that:

- China should ensure that debt is sustainable, particularly if projects underperform. This involves a re-consideration of the lending strategy associated with Pakistan and Sri Lanka's flagship infrastructure projects. This also requires adherence to international lending rules, particularly given the number of multilateral development banks involved.
- China should also strive for greater transparency in the signing of individual loan agreements through regularly consulting stakeholders and sharing data related to the BRI's progress. These also provide opportunities for external actors like the UK's financial institutions to assist with the structuring and negotiation of debts.
- Finally, China should be more flexible with loan agreements to ensure projects are better tailored to the individual economic needs of recipient nations, and to ensure international goodwill in face of growing criticism. A good example where this has occurred is the scaling back of Myanmar's Kyaukpyu port project from USD \$7 billion to \$1.3 billion after concerns over the potential debt burden arose.

- BRI recipient countries and external actors cooperate with international organisations like the IMF and World Bank, as well as with independent advisors to provide guidance on the sustainability of individual loans. For instance, nations like Sri Lanka could look towards gaining funding support from the Asian Infrastructure Investment Bank (AIIB), which offers relatively cheap project finance.<sup>191</sup>
- BRI participant countries should also be structured in the form of public-private partnerships (PPPs). These have the advantage of helping to diversify risk if financing comes from various sources such as investment grants and loans of different durations.
- Ensure greater engagement with local businesses and workers

It is recommended that:

- China should set explicit targets for the employment of local workers for BRI projects: a trend the nation is already moving towards for Sri Lanka. A McKinsey survey in 2017 found that among 1,073 Chinese firms working in Africa, only 44% of managers were local: a clear barrier to inclusive prosperity.<sup>192</sup> Setting transparent targets to encourage local expertise will likely result in fewer social tensions and allow greater distribution of the project gains.
- China should encourage developers to partner with training institutions to ensure genuine collaboration at all stages of investment. For instance, collaboration by Chinese enterprises and the Universiti Malaysia Pahang helped lead a three-month training program for Malaysian workers,

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<sup>191</sup> Ibid.

<sup>192</sup> Kartik Jayaram and others, 'The closest look yet at Chinese economic engagement in Africa' (McKinsey & Company, 28 June 2017) <<https://www.mckinsey.com/featured-insights/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa>> accessed 3 October 2021

resulting in 3,600 engineering students gaining employment on the ECRL project.<sup>193</sup> Similar efforts could be made to reduce hostility in Pakistan and Sri Lanka.

- China should promote institutions like language schools to ensure that local workers can still benefit from its technical expertise. In Karachi, vocational and technical training is carried out by a range of private and state organisations, mostly due to the region's close proximity to CPEC zones. An expansion of this mechanism in other BRI regions could increase both productivity and positive political engagement between states.
- BRI recipient countries and external powers should encourage or subsidise the use of local small and medium-sized enterprises (SMEs) in the BRI's supply chains, particularly as the BRI is predicted to deliver greater integration, for instance a halving of transport costs in areas of Pakistan.
- BRI recipient countries and external powers should demand greater engagement from China in investing in rural or developing regions, seeking international support if necessary.
- BRI recipient countries and external powers should ensure that projects do not unfairly benefit specific religious, ethnic, or political groups at the expense of creating nationalist backlash.

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<sup>193</sup> Daniel R. Russel and Blake Berger, 2019.

## **Planet**

### **I. General Overview**

Unlike other pillars, which primarily concentrate on human interactions and social activities, the planet pillar aims to provide a unique angle to examine interactions between man and nature. Human activities invariably change nature whilst environmental impacts also affect social and economic activities in return. Unsurprisingly, given the diverse nature of this highly complicated topic, one of the most challenging parts for research is to select the most relevant yardsticks to assess the Belt and Road Initiative from a wide range of indicators. Taking into consideration the global span of the Belt and Road Initiative and its international influence, this paper decides to align with the United Nations in its evaluation of environmental impacts. Out of the seventeen Sustainable Development Goals set up by the United Nations in 2015, as many as seven are specifically concerned about environmental impacts, namely ‘clean water and sanitation’, ‘affordable and clean energy’, ‘sustainable cities and communities’, ‘responsible consumption and

production’, ‘climate action’, ‘life below water’, and ‘life on land’.<sup>194</sup> Additionally, the Belt and Road Initiative is principally about overseas infrastructure investment and construction. Therefore, goal number nine which focuses on ‘industry, innovation and infrastructure’ is directly relevant to our research.<sup>195</sup>

## II. Sustainable Development Goals and Key Performance Indicators

Undeniably these Sustainable Development Goals are all inextricably interwoven and each of them could contribute an invaluable perspective to our research. Nevertheless, given the limited space we have for analysis of environmental impacts, this paper shall prioritise goal number thirteen which focuses on ‘climate change’ as a key target. In order to evaluate the impact of the BRI on climate change, we will use carbon emissions as a major key performance indicator whilst keeping other targets and their indicators as supplementary to our analysis. Carbon emissions serve as a useful KPI for evaluating the impact of the BRI on climate change for two reasons. First of all, the reduction of carbon emissions is commonly cited as a significant subgoal within the aforementioned Sustainable Development Goals of the United Nations. Secondly, carbon emissions are relatively more applicable than other indicators to our target audience, since developing and developed countries alike recognise the severity of climate change to the global ecosystem and every country’s economic prosperity and social stability, and the necessity

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<sup>194</sup> Department of Economic and Social Affairs, “17 Sustainable Development Goals”, United Nations, (2015).

<https://sdgs.un.org/zh/goals>

<sup>195</sup> Department of Economic and Social Affairs, “17 Sustainable Development Goals“, United Nations, (2015).

<https://sdgs.un.org/zh/goals>



to take synergistic efforts to combat climate change and reduce global carbon emissions through international cooperation. Developing countries and developed countries tend to disagree upon many other environmental issues and often debate about the right to development versus environmental protection.<sup>196</sup> Climate change has been held in international consensus since the 1992 United Nations Conference on Environment and Development. In 2015 the Paris Agreement proposed to keep the increase in mean global temperature less than two degrees Celsius than the pre-industrial levels, preferably only a 1.5 degrees Celsius increase. A 2019 report has shown that the Belt and Road Initiative and the development model it had promoted until 2021 could significantly contribute to global warming. This report has shown that although the 126 Belt and Road Initiative recipient countries only contributed 28 % of global emissions in 2015, nevertheless they would be responsible for 66 % of global emissions in 2050 if they adhere to the conventional carbon-intensive development model which was in line with the Belt and Road Initiative until 2021.<sup>197</sup> This would cause a 2.7 degrees Celsius rise of global temperature by 2050.<sup>198</sup>

## **The Belt and Road Initiative and Carbon Emissions**

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<sup>196</sup> Shyam Saran, “Paris Climate Talks: Developed Countries Must Do More Than Reduce Emissions”, the Guardian, (23 November, 2015)

<https://www.theguardian.com/environment/2015/nov/23/paris-climate-talks-developed-countries-must-do-more-than-reduce-emissions>

<sup>197</sup> Ma Jun, Simon Zadek, Tianyin Sun, Shouqing Zhu, Lin Cheng, Jason Eis, Thomas Nielsen, David Ren, Ilmi Granoff, Tim Stumhofer. “Decarbonizing the Belt and Road”, Tsinghua University, Vivid Economics & Climateworks Foundation, (2019).

<https://www.vivideconomics.com/casestudy/decarbonizing-the-belt-and-road-initiative-a-green-finance-roadmap/>

<sup>198</sup> Ma Jun, Simon Zadek, Tianyin Sun, Shouqing Zhu, Lin Cheng, Jason Eis, Thomas Nielsen, David Ren, Ilmi Granoff, Tim Stumhofer. “Decarbonizing the Belt and Road”, Tsinghua University, Vivid Economics & Climateworks Foundation, (2019).

<https://www.vivideconomics.com/casestudy/decarbonizing-the-belt-and-road-initiative-a-green-finance-roadmap/>

In fact this is closely connected to the Belt and Road Initiative's investment in the coal-related energy infrastructure which, as the Global Development Policy Centre of Boston University has calculated, amounted to US\$3.2 billion in 2019, out of a total of US\$8.166 investment by China Development Bank and Export-Import Bank of China under the Belt and Road Initiative.<sup>199</sup> Chinese preference for investing in coal power projects was particularly concerning over the past five years with Chinese banks funding almost 70 % of coal power projects in the world before China made a U-turn in 2021 to pledge to stop investing in coal-fired power plants abroad, which is estimated to reduce carbon dioxide emission by two hundred million tonnes every year.<sup>200</sup> This preference was also clearly reflected in the Belt and Road Initiatives with China investing almost \$45 billion in coal power projects in recipient countries, which could operate for decades and have a lasting impact on climate change if completed, a phenomenon known as carbon lock-in.<sup>201</sup> Particularly in contrast to around forty % of Chinese overseas power plant capacity was coal-fired power plants in 2020, non-hydroelectric renewable energy projects only contributed 11 %.<sup>202</sup> While this aforementioned report urges China and recipient countries to decarbonise the Belt and Road Initiative (as China has recently pledged), it also acknowledges that even though these countries switch to a development model based on

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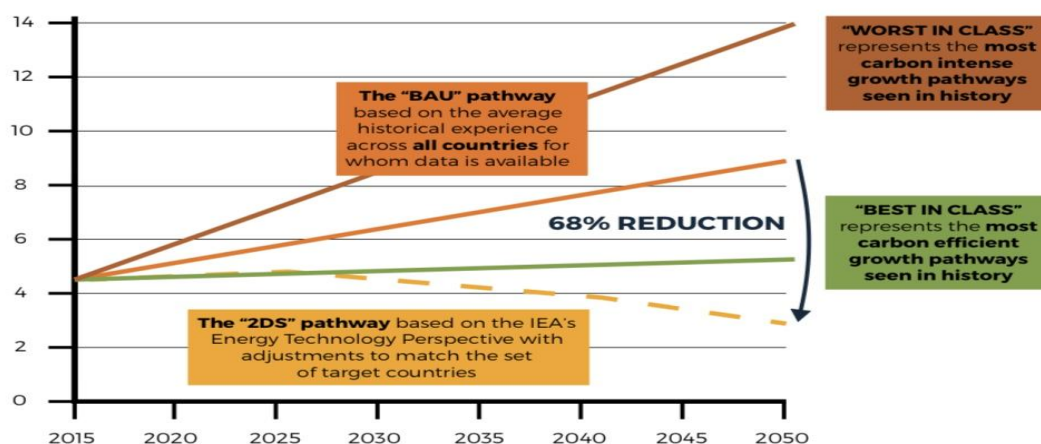
<sup>199</sup> Boston University Global Development Policy Centre, "China's Global Energy Finance". Boston University Global Development Policy Centre. (2021). <https://www.bu.edu/cgef/#/all/Country>.

<sup>200</sup> Jennifer Hillman, David Sacks, "Making Sense of China's Pledge to Stop Building Coal-Fired Power Plants Abroad", Council on Foreign Relations, (March 31, 2021) <https://www.cfr.org/blog/making-sense-chinas-pledge-stop-building-coal-fired-power-plants-abroad?amp>

<sup>201</sup> Jennifer Hillman, David Sacks, "Making Sense of China's Pledge to Stop Building Coal-Fired Power Plants Abroad", Council on Foreign Relations, (March 31, 2021) <https://www.cfr.org/blog/making-sense-chinas-pledge-stop-building-coal-fired-power-plants-abroad?amp>

<sup>202</sup> Jennifer Hillman, David Sacks, "Making Sense of China's Pledge to Stop Building Coal-Fired Power Plants Abroad", Council on Foreign Relations, (March 31, 2021) <https://www.cfr.org/blog/making-sense-chinas-pledge-stop-building-coal-fired-power-plants-abroad?amp>

green technology, their total emissions by 2050 would still significantly exceed the internationally set target of 2 degrees Celsius rise of global temperature.<sup>203</sup>



**Figure 4 - Compared to Business as Usual, a 2 Degree Scenario requires 68 % lower carbon emissions in Belt and Road Countries by 2050<sup>204</sup>**

<sup>203</sup> Ma Jun, Simon Zadek, Tianyin Sun, Shouqing Zhu, Lin Cheng, Jason Eis, Thomas Nielsen, David Ren, Ilmi Granoff, Tim Stumhofer. "Decarbonizing the Belt and Road", Tsinghua University, Vivid Economics & Climateworks Foundation, (2019).  
<https://www.vivideconomics.com/casestudy/decarbonizing-the-belt-and-road-initiative-a-green-finance-roadmap/>

<sup>204</sup> Ma Jun, Simon Zadek, Tianyin Sun, Shouqing Zhu, Lin Cheng, Jason Eis, Thomas Nielsen, David Ren, Ilmi Granoff, Tim Stumhofer. "Decarbonizing the Belt and Road", Tsinghua University, Vivid Economics & Climateworks Foundation, (2019).  
<https://www.vivideconomics.com/casestudy/decarbonizing-the-belt-and-road-initiative-a-green-finance-roadmap/>

Nevertheless, the relationship between Chinese infrastructure investment and the overall carbon emissions in a host country is extremely complicated. On the one hand, Chinese investment in coal-fired power plants in particular could directly increase carbon emissions in a recipient country and could contribute to carbon lock-in, which refers to the dependence on fossil fuel-intensive systems instead of green energy in a country due to existing infrastructure, if these coal-fired power are completed and kept operational for their estimated lifespan which could be three to four decades.<sup>205</sup> On the other hand, the Belt and Road Initiative could also help curb the growth of carbon emissions or even reduce total carbon emissions in a recipient country. As the Belt and Road Initiative recipient countries tend to be developing countries whose average energy efficiency was only 50 % of the world's average in 2018, Chinese investment in energy infrastructure could improve the energy efficiency in these countries, hence curbing the growth of carbon emissions in recipient countries which would be much higher without such upgraded energy systems.<sup>206</sup> As a result, the Belt and Road Initiative would help these countries stabilise their carbon intensity and facilitate their transition to green energy and low-carbon based on a study of the spatial distribution of carbon intensities in 29 Belt and Road Initiative countries.<sup>207</sup> Additionally, the Belt and Road Initiative could also directly reduce carbon emissions in a recipient country as China started to emphasise investment in renewable energy.

### **The Belt and Road Initiative and Other Environmental Concerns**

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<sup>205</sup> Helen Roxburgh, Poornima Weerasekara . “China's Foreign Coal Push Risks Global Climate Goals”. Phys.org. (2020), <https://phys.org/news/2020-12-china-foreign-coal-global-climate.html>.

<sup>206</sup> Yan Wu, Cong Hu, and Xunpeng Shi, “Heterogeneous Effects of the Belt and Road Initiative on Energy Efficiency in Participating Countries”, *Energies*, (2021), <https://doi.org/10.3390/en14185594>

<sup>207</sup> Hongze Li, FengYun Li and Xinhua Yu, “China's Contributions to Global Green Energy and Low-Carbon Development: Empirical Evidence under the Belt and Road Framework”, *Energies*, (2018), <https://doi.org/10.3390/en11061527>

Aside from climate change and carbon emissions, researchers are also concerned about other environmental impacts of the Belt and Road Initiative. Given the fact that the Belt and Road Initiative primarily focuses on infrastructure investment, many researchers are concerned that such large-scale construction work would negatively affect local wildlife. For example, many of the Belt and Road Initiative transport projects are intended to connect underdeveloped areas in a recipient country to its regional or national economic centre. Nevertheless, these underdeveloped areas could be of high environmental value because they are relatively geographically inaccessible and hence insulated from human activities. Building roads or bridges through these regions could potentially reshape the local landscape and disturb wildlife. On a global scale, the World Wildlife Fund, has found that ‘the Belt and Road Initiative corridors overlap with the range of 265 threatened species including saiga antelopes, tigers and giant pandas; also, BRI corridors overlap with 1,739 Important Bird Areas or Key Biodiversity Areas and 46 biodiversity hotspots or Global 200 ecoregions’.<sup>208</sup> Hence, the Belt and Road Initiative has raised serious concerns about preservation of natural habitats and wildlife protection.

Moreover, while the Belt and Road Initiative is aimed to develop the local economy, it could also exceed the economy’s natural limits and overburden the local economy. For example, economic production requires raw materials. By incentivising local economic activities, the Belt and Road Initiative could increase local consumption of raw materials such as sand, limestone, and fossil fuels, to an unsustainably high level. Ascensão et al have concluded in a research that on a global scale ‘sand extraction has already exceeded its natural renewal rate, severely affecting river deltas and coastal and marine ecosystems’, a large-scale global infrastructure project like the Belt and Road Initiative

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<sup>208</sup> World Wildlife Fund, WWF and Greening the Belt and Road Initiative, World Wildlife Fund (November 2 2017)  
<https://www.wwf.org.hk/en/?19680/Feature-Story-WWF-and-Greening-the-Belt-and-Road-Initiative>

would probably exacerbate the situation unless construction is planned in an environmentally sustainable manner.<sup>209</sup>

### III. Case Studies

#### Kenya

##### Overview of Kenya's Climate Actions

Kenya has recognised that climate change is the most serious challenge in this era and has published multiple national agendas and blueprints to promote low-carbon sustainable development. For example, from 2000 to 2050 Kenya's average annual temperature was projected to increase by up to 2.5 degrees Celsius.<sup>210</sup> The Kenyan government estimated that extreme climatic events could cost Kenyan economy US\$500 million a year, or about 2.6 % of its GDP.<sup>211</sup> Internationally, Kenya was committed to the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, the Kyoto Protocol in 1997, and the Paris Agreement in 2015. Kenya was also actively engaged in global climate actions. It promised in 2016 to cut its carbon emissions by 30 % by 2030 relative to the business as usual scenario as its National Determined Contribution, which was later raised to 32 % in 2020.<sup>212</sup> In line with its international

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<sup>209</sup> Fernando Ascensão et al, Environmental challenges for the Belt and Road Initiative, Nature Sustainability,(2018)  
<https://www.nature.com/articles/s41893-018-0059-3>

<sup>210</sup> Nita Bhalla, “As Climate Change Threatens Kenyan Tea, Millions of Workers Seen at Risk”, Reuters, (May 10, 2021),

<https://www.reuters.com/article/us-climate-change-kenya-tea-idUSKBN2CR1Q6>

<sup>211</sup> Kenyan Government, “Kenya National Climate Change Action Plan”, Kenyan Government, (2012), <https://cdkn.org/wp-content/uploads/2013/03/Kenya-National-Climate-Change-Action-Plan.pdf>

<sup>212</sup> Westminster Foundation for Democracy, “Stronger Democratic Process in Kenya to Tackle Climate Change”, Westminster Foundation for Democracy, (May 5, 2021)  
<https://www.wfd.org/2021/05/05/stronger-democratic-process-in-kenya-to-tackle-climate-change/>

commitments, Kenya emphasised a low carbon climate resilient development pathway in its first Climate Change Action Plan 2013-2017 as part of its long-term development plan- Kenya Vision 2030, which would also play an important role in helping Kenya fulfil its international environmental commitments including the Millennium Development Goals (MDGs). To this end, the Kenyan Parliament passed the Climate Change Act in 2016, which specifically required ‘mainstream climate change responses into development planning, decision making and implementation’.<sup>213</sup>

### **Kenya and the Belt and Road Initiative**

However Kenya announced its controversial plan to build a Sh200 billion coal-fired power plant in Lamu region in 2013 which would be the largest single power station in Kenya as part of its ambitious Lamu Port South Sudan-Ethiopia Transport corridor. This Lamu Coal Power Station was designed to be a 1,050-megawatt power project, consisting of three 350 megawatt generators and located on 975 acres in the Kwasasi area.<sup>214</sup> This coal power station would operate for at least twenty-five years and use 3.6 million tonnes of coal per annum which would be initially imported from overseas such as South Africa, Mozambique, Indonesia and Australia and later supplied by local coal mines.<sup>215</sup> The Kenyan government contracted Gulf energy and Centum Power, which jointly formed a consortium, Amu Power Company, to build, own, and operate this project. Three Chinese state-owned enterprises were deeply involved in this project. Sichuan Electric Power Design and Consulting and Sichuan No.3 Power Construction

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<sup>213</sup> The Grantham Institute on Climate Change and the Environment, “Kenya Climate Change Act 2016”, the London School of Economics, (2016)

<https://climate-laws.org/geographies/kenya/laws/climate-change-act-2016>

<sup>214</sup> Business Daily Africa, “1,400 Chinese Workers to Build Sh200bn Lamu Coal Plant”, Business Daily Africa, (July 25 2016), <https://www.businessdailyafrica.com/1-400-Chinese-workers-to-build-Sh200bn-Lamu-coal-plant/539546-3310542-item-o-b28astz/index.html>

<sup>215</sup> Business Daily Africa, “1,400 Chinese Workers to Build Sh200bn Lamu Coal Plant”, Business Daily Africa, (July 25 2016), <https://www.businessdailyafrica.com/1-400-Chinese-workers-to-build-Sh200bn-Lamu-coal-plant/539546-3310542-item-o-b28astz/index.html>

Company would build and operate this project. They were actually subsidiaries of Power Construction Corporation of China (PowerChina), which was a state-owned enterprise specialising in heavy and civil engineering construction and planned to employ around 1,400 Chinese workers to build this coal-fired power station, slightly less than 40 % of 3,500 workers required for construction.<sup>216</sup> Another Chinese state-owned enterprise responsible for its construction and operation was China Huadian Corporation, one of China's five largest state-owned power generation corporations. A Chinese bank, Industrial and Commercial Bank of China provided a US\$1.2 billion loan to Amu Power to finance this project, which accounted for approximately 60 % of the overall funding.<sup>217</sup> This project was designed to start in 2015 and be completed in 21 months, yet it was criticised particularly for its negative environmental impacts and eventually cancelled.<sup>218</sup>

### **Environmental Impacts of the Lamu Coal Power Station**

In a report by DeCOALonize for the UN Environment Programme, researchers and environmentalists found this project was likely to release huge amounts of greenhouse gases and hence significantly increase Kenya's carbon emissions. For example, this coal-fired power plant was estimated to produce 8.8 million tonnes of carbon dioxide per annum, which would double carbon emissions by Kenya's energy sector and increase its

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<sup>216</sup> Business Daily Africa, "1,400 Chinese Workers to Build Sh200bn Lamu Coal Plant", Business Daily Africa, (July 25 2016), <https://www.businessdailyafrica.com/1-400-Chinese-workers-to-build-Sh200bn-Lamu-coal-plant/539546-3310542-item-o-b28astz/index.html>

<sup>217</sup> Business Daily Africa, "Chinese Firm Signs Sh96bn Contract for Lamu Coal-Fired Electricity Plant", Business Daily Africa, (June 08 2015).  
<https://www.businessdailyafrica.com/Chinese-firm-signs--1bn-contract-for-Lamu-coal-plant/-/539552/2744624/-/s3jl2tz/-/index.html>

<sup>218</sup> Business Daily Africa, "Chinese Firm Signs Sh96bn Contract for Lamu Coal-Fired Electricity Plant", Business Daily Africa, (June 08 2015).  
<https://www.businessdailyafrica.com/Chinese-firm-signs--1bn-contract-for-Lamu-coal-plant/-/539552/2744624/-/s3jl2tz/-/index.html>



national emissions by 6-10 per cent.<sup>219</sup> Additionally, because of its geographical proximity to the Indian Ocean, this coal-fired power plant would also disrupt the marine system, damage mangroves and endanger local ecosystems. Every hectare of mangrove lost would also release 1,000 tonnes of carbon dioxide.<sup>220</sup> Key pollutants from this plant were permitted to be five to ten times as high as a new coal-fired power station in China and the EU.<sup>221</sup> This increase in carbon emissions to meet energy demand seemed particularly less justifiable to critics who argued a cleaner, renewable energy alternative was more suitable to Kenya. In fact, renewable energy traditionally accounted for a significant proportion for Kenya's energy supply. In 2014, hydroelectric energy contributed as much as 37.8 % of Kenya's installed electric power generation capacity, geothermal energy 27.3 % while in contrast, fossil fuels in total accounted for approximately 32 %, which was even less than hydroelectric energy alone.<sup>222</sup> Dr. John Musingi, Senior Lecturer and Programme Coordinator of Environmental Planning and Management at the Department of Geography and Environmental Studies of the University of Nairobi, pointed out that in fact the Lamu area was suitable for solar energy instead because this region has six hours of adequate sunlight every day.<sup>223</sup> Also because of its carbon footprint, this coal-fired power plant would cause Kenya to violate its National Climate

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<sup>219</sup> DeCOALonize, "The Impacts on the Community of the Proposed Coal Plant in Lamu: Who, if Anyone, Benefits from Burning Fossil Fuels?" UN Environment Programme, Perspectives, (10 July, 2018), [https://wedocs.unep.org/bitstream/handle/20.500.11822/25363/Perspectives31\\_ImpactCoalPlantLamu\\_28032018\\_WEB.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/25363/Perspectives31_ImpactCoalPlantLamu_28032018_WEB.pdf?sequence=1&isAllowed=y)

<sup>220</sup> DeCOALonize, "The Impacts on the Community of the Proposed Coal Plant in Lamu: Who, if Anyone, Benefits from Burning Fossil Fuels?" UN Environment Programme, Perspectives, (10 July, 2018), [https://wedocs.unep.org/bitstream/handle/20.500.11822/25363/Perspectives31\\_ImpactCoalPlantLamu\\_28032018\\_WEB.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/25363/Perspectives31_ImpactCoalPlantLamu_28032018_WEB.pdf?sequence=1&isAllowed=y)

<sup>221</sup> DeCOALonize, "The Impacts on the Community of the Proposed Coal Plant in Lamu: Who, if Anyone, Benefits from Burning Fossil Fuels?" UN Environment Programme, Perspectives, (10 July, 2018), [https://wedocs.unep.org/bitstream/handle/20.500.11822/25363/Perspectives31\\_ImpactCoalPlantLamu\\_28032018\\_WEB.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/25363/Perspectives31_ImpactCoalPlantLamu_28032018_WEB.pdf?sequence=1&isAllowed=y)

<sup>222</sup> Amu Power, "Electricity In Kenya", Amu Power, (2015), <https://www.amupower.co.ke/electricity-kenya.html>

<sup>223</sup> John Musingi, "Why the Coal-Fired Power Plant Should Not Be Allowed in Lamu", (2019) [https://www.banktrack.org/download/why\\_the\\_coal\\_power\\_plant\\_should\\_not\\_be\\_allowed\\_in\\_lamu/dr\\_john\\_musingis\\_final\\_report.pdf](https://www.banktrack.org/download/why_the_coal_power_plant_should_not_be_allowed_in_lamu/dr_john_musingis_final_report.pdf)

Change Action Plan and its international commitment to the Paris Agreement. Eventually, Kenya's National Environmental Tribunal found that proper and meaningful public participation was lacking when the Environmental Management Authority granted the Environmental Impact Assessment Licence. Amu Power Company's Environmental & Social Impact Assessment also violated regulations due to incompleteness and insufficiency.<sup>224</sup> Consequently, this coal-fired power plant's permit was suspended in 2019 and the Kenyan government cancelled this project in November 2020.<sup>225</sup>

## Conclusion

In conclusion, the Lamu Coal Power Station is a failed Belt and Road Initiative project. Although this coal fired power plant was initially well received by Chinese investors and promoted by the Kenyan government, its potential negative environmental impacts including carbon emission and pollutant emissions eventually caused the project to be cancelled. This failed project could be a good lesson on how to ensure the Belt and Road Initiative is environmentally sustainable for external powers who are actively considering joining the Belt and Road Initiative. Governments of external powers such as the UK and EU need to play a particularly important role in assessing the environmental impacts of any Belt and Road Initiative project if they decide to join. Firstly, governments need to have specific environmental regulations concerning the

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<sup>224</sup> The Grantham Institute on Climate Change and the Environment, "Save Lamu et al. v. National Environmental Management Authority and Amu Power Co. Ltd", the London School of Economics, (2020)  
[https://climate-laws.org/geographies/kenya/litigation\\_cases/save-lamu-et-al-v-national-environmental-management-authority-and-amu-power-co-ltd](https://climate-laws.org/geographies/kenya/litigation_cases/save-lamu-et-al-v-national-environmental-management-authority-and-amu-power-co-ltd)

<sup>225</sup> Shi Yi, "Kenyan Coal Project Shows Why Chinese Investors Need to Take Environmental Risks Seriously", China Dialogue, (March 9, 2021)  
<https://chinadialogue.net/en/energy/lamu-kenyan-coal-project-chinese-investors-take-environmental-risks-seriously/>

environmental impacts of foreign investment and make sure the Belt and Road Initiative projects are properly assessed according to these regulations prior to approval. Secondly, governments of external powers also need to pay attention to feedback from local communities whose livelihood would be directly affected by long-term environmental impacts of any Belt and Road Initiative project. Thirdly, governments also need to have a long-term plan for environmental action and ensure those approved Belt and Road Initiative projects would align with the long-term agenda for carbon emissions.

## Kazakhstan

### Overview of Kazakhstan's Climate Actions

Since its independence from the Soviet Union, Kazakhstan has made little investment in its energy infrastructure much of which was in need of repair and upgrading.<sup>226</sup> Its energy structure was also dominated by unclean, non-renewable energy. In 2019, coal contributed 72 % of electricity in Kazakhstan whilst natural gas only accounted for 10.2 % and oil only 4.9 %.<sup>227</sup> As a result, Kazakhstan has one of the highest carbon dioxide emissions in Central Asia, reaching 12.06 tonnes per capita in 2018 which is much higher than Uzbekistan (3.401 tonnes per capita in 2018), Tajikistan ( only 0.805 tonnes per capita in 2018), and Kyrgyzstan (1.74 tonnes per capita in 2018).<sup>228</sup> In fact this figure is even

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<sup>226</sup> Yerbol Sarbassov, Aiyngul Kerimray, Diyar Tokmurzin, GianCarlo Tosato, Rocco De Miglio, “Electricity and Heating System in Kazakhstan: Exploring Energy Efficiency Improvement Paths”, *Energy Policy*, (2013), <https://doi.org/10.1016/j.enpol.2013.03.012>

<sup>227</sup> Aibek Soltangazinov, Zubirash Smagulova, Maral Amirova, Lyudmila Kashuk, Madina Karimbergenova, Akmaral Kadyrova, Olga Zhaltyrova, “Energy Efficiency as a Factor of Sustainable Development in Kazakhstan”, *International Journal of Energy Economics and Policy*, (2019). <https://doi.org/10.32479/ijeep.8618>

<sup>228</sup> World Bank, “CO<sub>2</sub> Emissions (Metric Tonnes Per Capita)”, World Bank, (2020), [https://data.worldbank.org/indicator/EN.ATM.CO2E.PC?end=2018&locations=KZ&most\\_recent\\_value\\_desc=false&start=2018&view=map](https://data.worldbank.org/indicator/EN.ATM.CO2E.PC?end=2018&locations=KZ&most_recent_value_desc=false&start=2018&view=map)

much higher than some of the developed industrial countries in Europe such as Germany (8.558 tonnes per capita in 2018) and France (4.619 tonnes per capita in 2018).<sup>229</sup> In response, Kazakhstan has made ambitious promises for climate change action, firstly reducing greenhouse gases by 15 to 25% by 31 December 2030 compared to the 1990 level, then 50 % by the end of 2050, and eventually reaching carbon neutrality by 2060.<sup>230</sup>

### **Wind Energy in Kazakhstan**

To fulfil its commitments to reduction of greenhouse gases, Kazakhstan has made ambitious plans to promote renewable energy. Cooperation with China plays an important role because the Belt and Road Initiative also aims to invest in renewable energy infrastructure. The Zhanatas Wind Farm started partially operating in 2020. It is a 100MW wind power station in Kazakhstan developed by Zhanatas Wind-Power, which is 80 % owned by China Power International Holding, and built by PowerChina Chengdu Engineering.<sup>231</sup> As the biggest wind power station located in Central Asia, the Zhanatas Wind Farm is projected to generate 350 million kilowatt-hours of electricity per annum, hence saving 109,500 tonnes of coal for Kazakhstan and reducing 289,000 tonnes of carbon dioxide emissions.<sup>232</sup>

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<sup>229</sup> World Bank, “CO<sub>2</sub> Emissions (Metric Tonnes Per Capita)”, World Bank, (2020), [https://data.worldbank.org/indicator/EN.ATM.CO2E.PC?end=2018&locations=KZ&most\\_recent\\_value\\_desc=false&start=2018&view=map](https://data.worldbank.org/indicator/EN.ATM.CO2E.PC?end=2018&locations=KZ&most_recent_value_desc=false&start=2018&view=map)

<sup>230</sup> Assel Satubaldina, “Tokayev Announces Kazakhstan’s Pledge to Reach Carbon Neutrality by 2060”, the Astana Times, (2020), <https://astanatimes.com/2020/12/tokayev-announces-kazakhstans-pledge-to-reach-carbon-neutrality-by-2060/>

<sup>231</sup> Power Energy, “Zhanatas Wind Farm”, Power Energy, (2021) <https://www.power-technology.com/projects/zhanatas-wind-farm/>

<sup>232</sup> Power Energy, “Zhanatas Wind Farm”, Power Energy, (2021) <https://www.power-technology.com/projects/zhanatas-wind-farm/>

Aside from reducing carbon emissions, investment in renewable energy infrastructure could also have very limited negative environmental impacts as the Zhanatas Wind Farm demonstrates. This wind power station is located in an undeveloped region where there are very few fauna and flora species and minimal agricultural activities due to its lack of vegetation and water sources. Hence, it causes little damage to wildlife.<sup>233</sup>

### **Solar Energy in Kazakhstan**

Although coal accounts for 75 % of its electricity demand, Kazakhstan is actively turning to solar energy to make its energy structure cleaner, and less carbon intensive, in addition to its efforts to promote wind energy.<sup>234</sup> Renewable energy including solar energy is a key component of Kazakhstan's 'National Concept for the Transition to the Green Economy until 2050', which explicitly requires renewable energy to make up 3 % of Kazakhstan's total electricity production by 2020, 30% by 2030, and 50% by 2050. Kazakhstan has 86 % of Central Asia's total solar potential and solar energy accounted for 56 % of renewable energy in Kazakhstan in 2020.<sup>235</sup> As the largest solar panel producer in the world which accounts for 70 % of all solar panels produced, China and Chinese firms are inevitably involved.<sup>236</sup>

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<sup>233</sup> Asian Infrastructure Investment Bank, "Kazakhstan: Zhanatas 100 MW Wind Power Plant", Asian Infrastructure Investment Bank, (2019)  
<https://www.aiib.org/en/projects/details/2019/approved/Kazakhstan-Zhanatas-100-MW-Wind-Power-Plant.html>

<sup>234</sup> Marian Willuhn, "Risen Energy Completes 40 MW Solar Project in Kazakhstan", PV Magazine, (January 31, 2019), <https://www.pv-magazine.com/2019/01/31/risen-energy-completes-40-mw-solar-project-in-kazakhstan/>

<sup>235</sup> Niva Yau, "Chinese Solar Investments in Central Asia: A Snapshot", Eurasianet (October 15, 2020), <https://eurasianet.org/chinese-solar-investments-in-central-asia-a-snapshot>

<sup>236</sup> Niva Yau, "Chinese Solar Investments in Central Asia: A Snapshot", Eurasianet (October 15, 2020), <https://eurasianet.org/chinese-solar-investments-in-central-asia-a-snapshot>

In 2019 as part of the Belt and Road Initiative, Risen Energy, a leading Chinese public company in the solar industry, has constructed a 40 megawatt solar energy plant using 325 Watt Poly 1500VDC polycrystalline modules in Gulshat, which is located 700 km from Astana. <sup>237</sup>This project would generate 50 million kilowatt-hours of clean electricity every year. <sup>238</sup> It is estimated to reduce 78,590 tonnes of carbon dioxide emissions per annum for Kazakhstan.<sup>239</sup>

Aside from reducing carbon emissions, solar energy is also particularly suitable for Kazakhstan. Because of its need for large areas for installation of solar panels, one of the major environmental risks of solar energy is its potential negative impact on local wildlife. Nevertheless, this environmental risk is minimal in Kazakhstan because as much as 58 % of its territory is covered by semi-deserts and deserts in which relatively few wildlife is present and would be negatively affected by the installation of solar panels.<sup>240</sup>

Furthermore, the solar energy industry in Kazakhstan also shows the greater potential for transnational cooperation between China and external powers. For instance, the European Bank for Reconstruction and Development lent US\$ 22 million in 2019 to this 40 megawatt solar energy plant in Gulshat to be built by Risen Energy.<sup>241</sup> Additionally,

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<sup>237</sup> Marian Willuhn, “Risen Energy Completes 40 MW Solar Project in Kazakhstan”, PV Magazine, (January 31, 2019), <https://www.pv-magazine.com/2019/01/31/risen-energy-completes-40-mw-solar-project-in-kazakhstan/>

<sup>238</sup> Conor Ryan, “Risen Energy Connects 40MW PV Project in Kazakhstan to National Grid”, PV Tech (January 30, 2019), <https://www.pv-tech.org/risen-energy-connects-40mw-pv-project-in-kazakhstan-to-national-grid/>

<sup>239</sup> Azernews, “Kazakhstan to Match Emissions to Environment to European Volume”, Azernews, (November 18, 2019) <https://www.azernews.az/region/158596.html>

<sup>240</sup> Kairat Izbassov, “Government Support Measures and the Current Situation in the Renewable Energy Sector of Kazakhstan”, Bulletin of the Korea Photovoltaic Society Vol. 6 No. 1, (2020).

<sup>241</sup> European Bank for Reconstruction and Development, “Risen Solar”, European Bank for Reconstruction and Development, (2021). <https://www.ebrd.com/work-with-us/projects/psd/50002.html>

the European Bank for Reconstruction and Development also lent another US\$ 32 million for a 50 megawatt solar energy power plant in Chulakkurgan region to be built by Risen Energy.<sup>242</sup> These two projects demonstrate the great potential for external powers to work with China to collectively build renewable energy infrastructure so as to reduce global carbon emissions, which will be discussed in the following section in greater detail.

## **Conclusion**

In conclusion, the Kazakhstan case study covers two areas of cooperation between Kazakhstan and China in renewable energy infrastructure investment. Both investments in wind energy and solar energy power plants are more successful than the coal fired power plant in Kenya. The main reason for this contrast is the choice of Belt and Road Project which could directly determine the sustainability of the Belt and Road Initiative in a recipient country. Although heavily reliant on coal, Kazakhstan has decided to shift to renewable energy in its 'National Concept for the Transition to the Green Economy until 2050', which explicitly requires renewable energy to make up 3 % of Kazakhstan's total electricity production by 2020, 30% by 2030, and 50% by 2050. This long-term commitment to renewable energy has effectively encouraged international investors, including Chinese investors, to invest in renewable energy infrastructure in Kazakhstan.

## **IV. External Powers**

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<sup>242</sup> European Bank for Reconstruction and Development, "Chulakkurgan Solar", European Bank for Reconstruction and Development, (2021)  
<https://www.ebrd.com/work-with-us/projects/psd/chulakkurgan-solar.html>

As this chapter considered developed economies such as the EU and UK as targeted external powers which are considering the possibility of joining the Belt and Road Initiative, their concerns and needs are slightly different from those of developing countries. This section aims to show that these developed economies tend to have stricter environmental regulations on climate change and more ambitious goals for carbon emissions, hence necessitating a different approach to the Belt and Road Initiative in the following recommendations section.

### **Overview of EU and UK Climate Actions**

For example, in the EU 2030 Climate and Energy Framework the EU has explicitly stipulated ‘at least 40% cuts in greenhouse gas emissions (from 1990 levels)’; ‘at least 32% share for renewable energy’; and ‘at least 32.5% improvement in energy efficiency’ by 2030.<sup>243</sup> This EU 2030 Climate and Energy Framework would move on to the EU 2050 long-term strategy, both of which constitute the EU’s comprehensive plan to make the EU climate-neutral.<sup>244</sup> Taking the UK as an example, it has performed quite well in terms of sustainable development. In 2020, the UK ranked fourth out of 180 countries based on the Environmental Performance Index which measures indicators in alignment with the United Nations Sustainable Development Goals.<sup>245</sup> Similar to the EU, the UK also has established comprehensive environmental regulations. The Environmental Protection Act 1990 has set strict standards for clean air and waste on land.<sup>246</sup> At the same time, the UK has also created an effective regulatory system to implement such strict standards. For

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<sup>243</sup> European Commission, “2030 Climate & Energy Framework”, European Commission, (2021) [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en)

<sup>244</sup> European Commission, “2050 Long-Term Strategy”, European Commission, (2021), [https://ec.europa.eu/clima/policies/strategies/2050\\_en](https://ec.europa.eu/clima/policies/strategies/2050_en)

<sup>245</sup> Yale Center for Environmental Law & Policy. “2020 Environmental Performance Index”. Yale Center for Environmental Law & Policy, (2020)

<sup>246</sup> Environmental Protection Act 1990 <https://www.legislation.gov.uk/ukpga/1990/43/contents>



example, the Department for Environment, Food and Rural Affairs is responsible for environmental protection and overseeing British environmental policy.<sup>247</sup> In particular, under the Environmental Permitting (England and Wales) Regulations 2016 which established a strict and coherent permitting and licensing mechanism, it is rather unlikely to see excessive damage to the local environment if the UK cooperates with China in building infrastructure.<sup>248</sup>

### **Areas of Cooperation**

However, despite having a comprehensive legal framework for environmental protection in general, reducing carbon emissions is a particular area of improvement for the UK. While the Climate Change Act 2019 has set strict standards for future emissions, the UK is currently off track to meet its targets in its fourth carbon budget (2023 to 2027), fifth carbon budget (2028 to 2032), and the sixth carbon budget (2033 to 2037) which means the U.K needs to greatly prioritise reducing emissions and significantly increase its investment in green infrastructure.<sup>249</sup> Additionally, in comparison to the EU, reducing carbon emissions is a politically urgent issue for the UK because the UK is about to host the 26th UN Climate Change Conference of the Parties in 2021. Given that the UK is currently off track to meet its targets in its fourth carbon budget, the British government is determined to demonstrate greater commitment to reducing emissions on this occasion.<sup>250</sup>

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<sup>247</sup> Department for Environment, “Food and Rural Affairs”, UK Government, (2021), <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about>

<sup>248</sup> The Environmental Permitting (England and Wales) Regulations 2016  
<https://www.legislation.gov.uk/uksi/2016/1154/contents/made>

<sup>249</sup> Climate Change Committee, “Advice on Reducing the UK’s Emissions”, Climate Change Committee, (2021)  
<https://www.theccc.org.uk/about/our-expertise/advice-on-reducing-the-uks-emissions/>

<sup>250</sup> Cabinet Office and The Rt Hon Alok Sharma MP, “Cutting Global Emissions Is Essential to Keeping 1.5 Degrees Alive”, UK Government, (September 9, 2021), <https://www.gov.uk/government/speeches/cutting-global-emissions-is-essential-to-keeping-15-degrees-alive>

Although most developed countries have multiple sources to finance domestic infrastructure aside from the Belt and Road Initiative, nevertheless, this does not necessarily mean the developed countries have nothing to gain from joining the Belt and Road Initiative. In fact, some Chinese firms are leading green technologies such as production of solar panels and wind turbines. This could meet developed countries' demands for renewable energy infrastructure. Take the UK as an example, in its recently published National Infrastructure Strategy policy paper, the British government has explicitly required net zero commitment to 'be embedded in every stage of the project life cycle and underpin decisions on the technical solutions chosen to achieve the required outcomes'.<sup>251</sup> China has also reoriented towards green infrastructure and some of its firms are leading renewable energy. China also shared a similar commitment to climate change and 'green ecology' in its latest agenda.<sup>252</sup>

In conclusion, taking into consideration both China's and certain external powers' commitment to green infrastructure, it is possible for external powers such as the UK to cooperate with China in this particular area via the Belt and Road Initiative. A specific area for potential infrastructure cooperation could be wind energy in which China, the UK and the E.U. are all interested. In fact, the UK and China have remarkable achievements in this sector, with the UK currently accounting for 28.9 % of global offshore wind turbine capacity and China 28.3 % (China's growth rate is accelerating).<sup>253</sup> Similar to the cooperation between China and the European Bank for Reconstruction

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<sup>251</sup> UK Government, "National Infrastructure Strategy: Fairer, Faster, Greener", UK Government, (2021) <https://www.gov.uk/government/publications/national-infrastructure-strategy>

<sup>252</sup> Stewart Knights, "Chinese-British Cooperation for a Green Economy - Fostering a Sensible Strategic Understanding", STEAR, (October 5, 2021), <https://www.stearthinktank.com/post/chinese-british-cooperation-green-economy>

<sup>253</sup> Global Wind Energy Council, "Global Wind Report 2021, Global Wind Energy Council", (2021). <https://gwec.net/wp-content/uploads/2021/03/GWEC-Global-Wind-Report-2021.pdf>

and Development in Kazakhstan's solar energy industry, these three parties could cooperate to promote investment in wind energy projects among all infrastructure projects, collectively fund new wind energy projects, share wind energy technologies, as well as further integrate their wind energy markets.

## **V. Policy Recommendations**

It is recommended that:

For developing countries:

- Developing countries planning to participate in BRI projects should pick more environmentally friendly, more energy efficient infrastructure projects to replace existing infrastructure which produces greater carbon emissions.
- Developing countries intending to participate in BRI projects are advised to Strengthen environmental regulations on climate change to prevent participating in BRI projects with potentially negative environmental impacts particularly increase in carbon emissions.
  - This could model on the EU and UK environmental legislations which stipulated specific carbon emissions targets by 2030 and 2050 respectively in comparison to a specific base year, such as 1990. Therefore, developing countries should seize the opportunity while at the same time strengthening environmental regulations to prevent negative environmental impacts.

For developed countries:

- Use the Belt and Road Initiative as a new platform to share green technologies and to make domestic infrastructure and industries less carbon intensive.

- Developed countries which are committed to climate change should also take this opportunity to engage China to establish a comprehensive set of green investment standards so as to regulate and make international investments less carbon intensive.
- Developed countries, such as the United States, the United Kingdom, & members of the EU, should use their influence over global financing in order to encourage China to establish a comprehensive set of green investment standards to regulate international investments including the Belt and Road Initiative. This will improve the environmental impact of the BRI and other infrastructure projects while giving China a clear path to achieve their goal of further integrating themselves into the global financial system.
- In fact, the Green Finance Committee of China Society for Finance and Banking and the City of London Corporation's Green Finance Initiative coinitiated the Green Investment Principle (GIP) for greening investment in the Belt and Road in 2018, which has now been signed by 39 global institutions in 2021.<sup>254</sup> Developed countries should build on this project to set higher standards and updated requirements for international investments including the Belt and Road Initiative to reduce carbon emissions.

For both developing and developed countries alike:

- Develop the collaborative potential of the Belt and Road Initiative and the Build Back Better World Initiative.
  - At the recently concluded G7 meeting in June, President Joe Biden together with other leaders proposed the Build Back Better World

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<sup>254</sup> Green Finance and Development Centre, "The Green Investment Principle (GIP) for the Belt and Road Initiative", Green Finance and Development Centre, (April 30, 2021) <https://greenfdc.org/green-investment-principle-gip-belt-and-road-initiative/>

initiative to help developing countries build up infrastructure.<sup>255</sup> Although some may view two projects as a geopolitical competition between the U.S. and China, these two projects are not necessarily in conflict and share many similarities such as climate action.

- Both developing and developed countries should help fully develop the collaborative potential of the Belt and Road Initiative and the Build Back Better World Initiative and make sure both projects work synergistically to combat climate change and build infrastructure which could reduce carbon emissions.

## VI. Conclusion

In conclusion, the overall sustainability of the Belt and Road Initiative depends on the environmental impacts of all of its constituent projects. If a recipient country selects a coal-fired power plant, the Belt and Road Initiative is likely to have more negative environmental impacts in this recipient country, whilst countries which specifically choose renewable energy projects such as wind power and solar power plants are likely to environmentally benefit from the Belt and Road Initiative and have its overall carbon emissions reduced. In the long-run, the Belt and Road Initiative is likely to be sustainable for external powers discussed in this paper in particular, for two reasons. Firstly, China has promised to stop all overseas investment in coal which would remove the majority of pollutive, carbon-intensive projects, and make the Belt and Road Initiative more sustainable. Secondly, external powers, particularly the UK and the EU, have strict environmental regulations and ambitious plans for climate changes. Hence,

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<sup>255</sup> Steve Holland, Guy Faulconbridge, “G7 Rivals China with Grand Infrastructure Plan”, Reuters (June 13, 2021) <https://www.reuters.com/world/g7-counter-chinas-belt-road-with-infrastructure-project-senior-us-official-2021-06-12/>

external powers are more likely to focus on those less carbon-intensive Belt and Road Initiative projects.

## **Partnership**

### **I. General Overview**

Healthy, non-coercive, and mutually beneficial partnerships are crucial to achieve sustainable development. In order to achieving successful sustainable cooperation, inclusivity is essential. Inclusive cooperation encompasses partnership at all levels and between different stakeholders, which is “built upon principles and values, and upon a shared vision and shared goals placing people and the planet at the centre”, according to the United Nations.<sup>256</sup>

According to United Nations (n.d.), multi-stakeholder partnership, the central concept of SDG 17, is defined as “an ongoing collaborative relationship between or among

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<sup>256</sup> United Nations, “Goal 17: Revitalize the global partnership for sustainable development” (n.d.) <<https://www.un.org/sustainabledevelopment/globalpartnerships/>> accessed 30 October 2021

organisations from different stakeholder types aligning their interests around a common vision, combining their complementary resources and competencies and sharing risk, to maximise value creation towards the Sustainable Development Goals and deliver benefit to each of the partners.” (p. 23).<sup>257</sup>

There are four main stakeholders in the UN's framework, namely government, civil society, business, and the United Nations itself. Other important stakeholders include foundations, academia, media, unions, etc. However, within the scope of this paper, only four above-mentioned types will be analysed.

### ***I. Indicators of sustainable partnership***

To measure and examine the Partnership pillar and SDG 17, the UN has listed 19 Targets and 25 Indicators<sup>258</sup>. In this section, there are two main indicators that will be analysed:

- 1) Foreign direct investments (FDI), official development assistance (ODA) and South-South Cooperation as a proportion of total domestic budget (SDG Target 17.3.1)
- 2) Amount of United States dollars committed to public-private and civil society partnerships (SDG 17.17.1.)

### ***II. FDI, ODA, and South-South Cooperation***

First, the financial aspect is an important component of a sustainable partnership. Particularly with regard to BRI, China already invested US\$500 billion in various projects

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<sup>257</sup>Darian Stibbe and Dave Prescott, The Partnering Initiative and UNDESA (2020) THE SDG PARTNERSHIP GUIDEBOOK: A practical guide to building high impact multi-stakeholder partnerships for the Sustainable Development Goal, 23  
<[https://sustainabledevelopment.un.org/content/documents/26627SDG\\_Partnership\\_Guidebook\\_o.g5\\_web.pdf](https://sustainabledevelopment.un.org/content/documents/26627SDG_Partnership_Guidebook_o.g5_web.pdf)>.

<sup>258</sup>United Nations, “Sustainable Development Goals/ Partnerships for the Goals” (SDG Tracker, n.d.)  
<<https://sdg-tracker.org/global-partnerships#targets>> (30 October 2021).

in more than fifty developing countries from 2013 to 2018<sup>259</sup>. The FDI, ODA, and South-South Cooperation indicator includes two smaller indicators, namely indicator 17.3.1. (Foreign Direct Investment) (FDI) and Indicator 17.4.1. (Debt service). The Indicator 17.3.1 under Target 17.3: Mobilise financial resources for developing countries “refers to direct investment equity flows in an economy.”, with the focus on South-South cooperation. Furthermore, Indicator 17.4.1. - Debt service aims to help developing countries achieve debt sustainability in the long run. Three main types of debt service to achieve this goal are “debt financing, debt relief, and debt restructuring.”

The OECD also emphasised the importance of resources mobilisation in the changing development context in its Development Co-operation Report 2014<sup>260</sup>. The financial support should not be limited in the form of development aid from the Global North, but all countries should also move from aid to development co-operation between stakeholders in the Global South. It means providers of development cooperation should not be viewed as donors, but they can also provide other types of support, particularly funding. Besides, recipient countries are now considered to be partners to achieve global sustainable development based on the principle of common interests but differentiated responsibilities.

Given these changes, China as a developing country has been advocating for South-South cooperation through different types of financing<sup>261</sup>. AIIB, Silk Road Fund, New Development Bank, China Development Bank and the Export-Import Bank of China are the main institutions that have been providing financial support to BRI. They support

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<sup>259</sup> Amanda Lee, “Belt and Road Initiative debt: how big is it and what’s next?” (The South China Morning Post, 19 July 2020) <<https://www.scmp.com/economy/china-economy/article/3093218/belt-and-road-initiative-debt-how-big-it-and-whats-next>>.

<sup>260</sup> OECD, “How to better mobilise resources for sustainable development”, in Development Co-operation Report 2014: Mobilising Resources for Sustainable Development,” (2014), OECD Publishing <<https://doi.org/10.1787/dcr-2014-5-en>>.

<sup>261</sup> Li Xiang, “China to promote South-South cooperation to boost development: Chinese FM” (Xinhua, 9 July 2021) <[http://www.xinhuanet.com/english/2021-07/09/c\\_1310050450.htm](http://www.xinhuanet.com/english/2021-07/09/c_1310050450.htm)>



various BRI projects in different fields, including infrastructure, energy, telecommunications, urban development, and environmental preservation. Recipient countries receive financial support through several instruments, such as loans, guarantees, and investments<sup>262</sup>.

### **III. Amount of United States dollars committed to public-private and civil society partnerships**

Effective and sustainable partnerships can be directly measured by the amount of money devoted to Public-Private Partnership (PPP), partnership with civil society, and partnership with other countries. It is worth noting that the increase in the amount of USD committed to various kinds of partnerships does not always mean the improvement in sustainable partnership, yet it is a prerequisite to achieving sustainable development. Moreover, in order to access the output and outcome of multilevel and multi-stakeholders, program classification is often used. The table below illustrates program classification based on outputs and outcomes.

Type of program	Program Characteristic
Research and capacity-building program	More direct programs focusing on producing knowledge
Infrastructure program	More direct programs focusing on producing physical products

<sup>262</sup> UNDP and China Center for International Economic Exchanges The Belt and Road Initiative: A new means to transformative global governance towards sustainable development (2020) 69-70  
<https://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/a-new-means-to-transformative-global-governance-towards-sustaina.html> (30 October 2021)

Grants, cost sharing program	Less direct programs using financial resources
Regulation program	Less direct programs using requirements
Technological transfer and technical assistance program	Less direct programs using information

**Table 4: Program Classification based on outputs and outcomes (Source: Measuring the Performance of Public-Private Partnerships: A Systematic Method for Distinguishing Outputs from Outcomes<sup>263</sup>)**

This list is not exhaustive as there are more types of programs based on other characteristics. Nevertheless, according to Koontz and Thomas, these five programs are the main types of cooperation between the public and private sector, the public sector and civil society, and countries. Applying this to the Belt and Road Initiative, there are five primary types of cooperation priority, namely policy coordination (regulation program), facilitates connectivity (infrastructure program, research program), unimpeded trade (Technological transfer and technical assistance program), financial integrations (grants and cost-sharing program) and people-to-people bond (all programs)<sup>264</sup>. This part will look closer at how and to what extent these types of programs are financed by the Belt and Road Initiative.

## **II. The BRI and sustainable partnerships in Indo-Pacific**

<sup>263</sup> Tomas M. Koontz and Craig W. Thomas, “Measuring the Performance of Public-Private Partnerships A Systematic Method for Distinguishing Outputs from Outcomes” (2012) 35(4) Public Performance & Management Review <DOI: 10.2753/PMR1530-9576350410>.

<sup>264</sup> Pingfan Hong, “Strengthening national policy capacity for jointly building the Belt and Road towards the Sustainable Development Goals” (2017) United Nations <[https://www.un.org/en/unpdf/assets/pdf/PDF-SDG-2016-02%20cdas\\_beltandroadb.pdf](https://www.un.org/en/unpdf/assets/pdf/PDF-SDG-2016-02%20cdas_beltandroadb.pdf)>.

The majority of partnerships in the Indo-Pacific are built on goodwill and common goals towards a sustainable, better future for people and the planet. China within these multilateral organisations is sometimes perceived as a member and an important player rather than a threat. However, other stakeholders perceive China with consternation.

### ***I. FDI, ODA, and South-South Cooperation as a proportion of total domestic budget***

China's financing system through BRI has been playing an important role in mobilising financial resources for developing countries in the Indo-Pacific. Major Chinese institutions that contribute to green finance include China Development Bank, The Export-Import Bank of China, and Bank of China<sup>265</sup>. Notably, many recipient countries of BRI have been facing high climate risks, such as environmental degradation, rising sea levels, water shortage, and deforestation. Therefore, BRI aims to improve infrastructure, transportation, and energy in developing countries. For example, China built China-Laos Railway, China-Thailand Railway, or China-Myanmar International Railway in Southeast Asia; as well as Dhaka-Chittagong High-Speed Railway Lahore Rail Transit in South Asia. From Beijing's side, President Xi Jinping repeatedly reassured that BRI would bring high-quality, sustainable, and inclusive growth for all countries, and that BRI is not a debt trap<sup>266</sup>. However, from the recipients' side, not all Southeast Asia has completely embraced investment from China. In 2018, Malaysian Prime Minister Mahathir Mohamad cancelled various Chinese-financed projects and identified them as “a new version of

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<sup>265</sup> Ruichen Hong and Cui Ying, “Climate Finance: A Critical Issue for BRI International Cooperation” (Green Finance and Development Center 9 May 2019) <<https://green-bri.org/climate-finance-a-critical-issue-for-bri-international-cooperation/>>.

<sup>266</sup> Brenda Goh and Cate Cadell “China's Xi says Belt and Road must be green, sustainable” (The Reuters, 25 April 2019) <<https://www.reuters.com/article/us-china-silkroad-idUSKCN1S1o4I>>.

colonialism" and "unequal treaties"<sup>267</sup>. The main reason is that BRI had left Malaysia with an increasing debt burden, and created excessively favourable conditions for Chinese companies. The concern of unequal partnership is also reflected in the survey of ISEAS-Yusof Ishak Institute, in which this think tank polled over 1000 respondents from 10 ASEAN member states, including government, business, academia, media and civil society. Roughly 70% of respondents agreed that BRI would likely lead to unsustainable financial debts with China, and it eventually would lead to unhealthy partnerships and political concessions like the case of Cambodia in 2016<sup>268</sup>.

However, Chatham House has published a report called "Debunking the Myth of 'Debt-trap Diplomacy'", in which the authors deliver a more critical and neutral analysis on China's debt-trap diplomacy<sup>269</sup>. For example, the Hambantota Port project in Sri Lanka was often portrayed as a typical case of debt-trap as it illustrates how China uses the economic tool to establish a so-called asymmetrical partnership with the government of Sri Lanka. By financing this project, Beijing anticipated that Sri Lanka would suffer from debt distress and eventually Colombo had to permit Chinese navy presence. However, Hameiri (2020) argued that in fact this project was initiated by the former President of Sri Lanka, Mahinda Rajapaksa to maintain the corruption of his government. Colombo's debt distress did not originate from China's financing, but from over-borrowing from capital markets. Therefore, although indeed several provisions are favourable for China and

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<sup>267</sup> Lucy Hornby, "Mahathir Mohamad warns against 'new colonialism' during China visit" (The Financial Times, 20 August 2018) <<https://www.ft.com/content/7566599e-a443-1e8-8ecf-a7ae1beff35b>>.

<sup>268</sup> Olivia Harris, "Southeast Asia wary of China's Belt and Road project, skeptical of U.S.: survey" (Reuters, 6 January 2019) <<https://www.reuters.com/article/us-asean-singapore-idUSKCNiPooGP>> accessed 30 October 2021

<sup>269</sup> Lee Jones and Shahar Hameiri, "Debunking the Myth of 'Debt-trap Diplomacy' How Recipient Countries Shape China's Belt and Road" (2020) Chatham House Research Paper August 08/2020, 13-17 <Initiative<https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy>>.

unequal to recipient countries, ineffective governance from the recipient side also contributes to the unsustainable feature of their partnership with China<sup>270</sup>.

Currently, the BRI is considered one of the financing vehicles to achieve SDGs through multilateral development financing. For example, to boost more investment in the sustainable development direction, the AIIB only provides financial support for projects that are compliant with its environmental regulations. It means that recipient countries need to conduct social and environmental assessments and management of the BRI projects. Other multilateral development banks and Chinese banks are also moving towards this scheme and aiming to have 40% of total projects under the environmental regulations until 2020<sup>271</sup>.

## **II. Partnership with External powers**

What the Chinese government has been doing aligns with the strategies of external powers, especially the EU. In March 2021, the governor of People's Bank China, Yi Gang, announced that the main goal of the central bank in the next five years is to standardise its green finance system by collaborating with stakeholders globally<sup>272</sup>. Hence, the bank has been collaborating with the EU to converge the taxation of green investment in two markets to establish the environmental credentials by the end of 2021. Likewise, China has also been collaborating with G20 countries like the UK to promote sustainable finance through the partnership between People's Bank China and the Bank of England<sup>273</sup>. Most

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<sup>270</sup> Shahar Hameiri, Debunking the myth of China's "debt- trap diplomacy" (The Interpreter, 9 September 2020) <<https://www.lowyinstitute.org/the-interpreter/debunking-myth-china-s-debt-trap-diplomacy>>.

<sup>271</sup> *ibid* 65-67

<sup>272</sup> The People's Bank of China, "Make Good Use of the Normal Monetary Policy Space to Promote the Development of Green Finance-Speech by the Governor of the People's Bank of China Yi Gang at the Roundtable of China Development Forum" (21 March 2021) <<http://www.pbc.gov.cn/goutongjiaoliu/13456/13469/4211212/index.html>>.

<sup>273</sup> Selena Li and Robin Yu, "China reveals co-operation with EU on green investment standards" (The Financial Times, 7 April 2021) <<https://www.ft.com/content/cddd464f-9a37-41a0-8f35-62d98faocca0>>.

recently in January 2022, Foreign Minister Marise Payne and Foreign Secretary Liz Truss agreed to foster cooperation on clean, reliable, and transparent finance for infrastructure investment in the Indo-Pacific region. The UK aims to finance clean infrastructure up to £8 billion GBP a year in order to meet the needs and priorities of countries in the Indo-Pacific region<sup>274</sup>. This is particularly important for both China and other countries in the Indo-Pacific as it diversifies the sources of financing and moves towards a more inclusive, multilevel partnership across the region.

Moreover, regarding cooperation at the international level, the most important institution in the Indo-Pacific is the United Nations. Several goals of the UN 2030 Agenda for Sustainable Development are in line with major areas of BRI. For instance, SDG 7 is related to energy areas, while SDG 9 is closely linked to infrastructure. Therefore, not only China and the UN, but all the involved partners have been trying to promote mutual positive synergies between the BRI and SDGs<sup>275</sup>. On the one hand, several UN agencies have collaborated with BRI and signed MoUs and Action Plans to promote sustainable development, including IMF, WB Group, UNDP, and United Nations Economic and Social Commission for Asia and the Pacific. One of the goals of the UN is to connect BRI and the 2030 Agenda for Sustainable Development<sup>276</sup>. It means the UN aims to turn BRI into an accelerator, an active enabler to achieve sustainable development<sup>277</sup>. On the other hand, China has been an active supporter of UN missions and activities, particularly after Xi Jinping became the President in 2013 and established BRI. Therefore, the BRI can

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<sup>274</sup> UK Government, “Press release: UK and Australia team up to encourage clean, reliable and transparent infrastructure investment in the Indo-Pacific” (23 February 2022) <<https://www.gov.uk/government/news/uk-and-australia-team-up-to-encourage-clean-reliable-and-transparent-infrastructure-investment-in-the-indo-pacific>>.

<sup>275</sup> Donald J. Lewis, Xiaohua Yang, Diana Moise and Stephen John Roddy, “Dynamic synergies between China’s Belt and Road Initiative and the UN’s Sustainable Development Goals” (2021) 4(1) J Int Bus Policy <<https://link.springer.com/article/10.1057/s42214-020-00082-6>>.

<sup>276</sup> United Nations Department of Economic and Social Affairs, “Jointly building the “Belt and Road” towards the Sustainable Development Goals” (n.d.) <<https://www.un.org/en/desa/jointly-building-%E2%80%9Cbelt-and-road%E2%80%9D-towards-sustainable-development-goals>>.

<sup>277</sup> *ibid*

contribute to sustainable development in several ways, such as by addressing physical and social infrastructure needs, improving technological transfer and capacity building, and strengthening environmental sustainability.

Partnership with the UN is also equally important, and it is a win-win partnership for both China and the UN because both sides mutually benefit from it. From the UN's perspective, Chinese financial support helps the UN in financing several development projects. In May 2016, the Chinese government signed a 10-year agreement with the United Nations to invest \$20 million per year in the UN Peace and Development Trust Fund, as well as asking DESA to promote BRI-SDGs synthesis as mentioned above<sup>278</sup>. From China's side, BRI has been criticised by several stakeholders for unsustainable projects, so partnering with the UN allows China to direct BRI towards sustainable development and enhance its role in global governance<sup>279</sup>.

### ***III. Amount of United States dollars committed to public-private and civil society partnerships (SDG 17.17.1.)***

Firstly, PPP refers to the contractual arrangement between the public and the private sectors in sharing responsibilities in several ways, including designing, financing, operating and sustaining the asset<sup>280</sup>. With the support from 130 countries and 70 international institutions, the Chinese government established the guiding principles on financing which urges participating stakeholders to deploy the PPP model to achieve sustainable development more efficiently and effectively. In specific, China established the China Public Private Partnerships Centre and National Development and Reform

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<sup>278</sup> Colum Lynch, China Enlists U.N. to Promote Its Belt and Road Project (Foreign Policy 15 May 2017) <<https://foreignpolicy.com/2018/05/10/china-enlists-u-n-to-promote-its-belt-and-road-project/>>.

<sup>279</sup> Bora Ly, "China and global governance: Leadership through BRI" (2020) 6(1) Cogent Social Sciences <<https://www.tandfonline.com/doi/full/10.1080/2331886.2020.1801371>>.

<sup>280</sup> JinZi Chu and Aishath Muneeza, "Belt and Road Initiative and Islamic Financing: The Case in Public Private Partnership Infrastructure Financing" (2019) 6(1) <<https://doi.org/10.18646/2056.61.19-002>>.

Commission to promote the PPP model in BRI<sup>281</sup>. Before 2014, there were only 428 PPPs projects in China, yet by 2016 the total number of projects soared up to 12248<sup>282</sup>. Many scholars, including Wei Xiong and Bin Chen (2020) believe that PPPs is China's governance approach to achieve sustainable development, particularly sustainable financing<sup>283</sup>.

This is an effort of the Chinese government to sustain the BRI investment and financial methods as China's budget is stretched across the globe, which makes it challenging for Beijing to directly provide financial support to all BRI projects. It intends to alleviate financial burdens on governmental banks and state-owned enterprises. As of 2017, there were above 800 PPP projects under BRIs, with a total investment of \$500 billion USD<sup>284</sup>. As for some countries that have not signed official MoUs under the BRI framework like Australia or India, PPP is a solution for them as it allows these countries to avoid potential political or security risks. Instead, it provides opportunities to gain benefits from commercial and business activities linked to BRI projects<sup>285</sup>.

However, institutionalising and promoting PPPs currently face several roadblocks. For example, the Chinese State Council pointed out that there was a need for better protection of investor rights, hence the private partners could compete fairly with state-owned

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<sup>281</sup> Xinhua, “China to promote PPP model in Belt and Road Initiative” (15 January 2017) <[http://www.xinhuanet.com/english/2017-01/15/c\\_135983879.htm](http://www.xinhuanet.com/english/2017-01/15/c_135983879.htm)>.

<sup>282</sup> Jerry Zhirong Zao, “The Rise of Public–Private Partnerships in China: An Effective Financing Approach for Infrastructure Investment?” (2019) Pacific Administration Review <<https://www.webssa.net/files/tan2019.pdf>>.

<sup>283</sup> Wei Xiong, Bin Chen, Huanming Wang, Dajian Zhu, “Public–private partnerships as a governance response to sustainable urbanization: Lessons from China” (2020), 95(102095), Habitat International, <<https://doi.org/10.1016/j.habitatint.2019.102095>>.

<sup>284</sup> *ibid* 31–34

<sup>285</sup> Craig Sugden, “Belt and Road PPPs: Opportunities and pitfalls” (The Interpreter 13 June 2017) <<https://www.lowyinstitute.org/the-interpreter/belt-and-road-PPPs-opportunities-pitfalls>>.



companies. Besides, national and local governments in several BRI recipient countries failed to engage local enterprises and used PPPs to practice backdoor borrowing<sup>286</sup>.

Additionally, some foreign multinational corporations also managed to participate in BRI projects, mainly in the form of engineering, procurement, and construction, as well as technological assistance. Take General Electric, a U.S. company as an example. This company has successfully set up joint ventures with SOEs, and signed an MOU with the China National Machinery Industry Corporation to work on renewable energy projects in Pakistan and also 70 other BRI countries from 2017<sup>287</sup>. Similarly, various BRI infrastructure projects have been conducted through PPPs between Chinese companies and local private companies. The PPPs in recipient countries bring benefits for both sides because local enterprises and local governments can serve as project contractors and operators with their local knowledge<sup>288</sup>. It paves the way for a more sustainable partnership, rather than a China-focused partnership where there were significant inequalities between China and host countries.

Secondly, in contrast to PPPs, the BRI's engagement with civil society was not backed by the Chinese government in the first few years of BRI. In 2017, at the Silk Road Forum, civil society organisations (CSOs) were only assigned one main duty, which is to strengthen people-to-people exchanges between China and recipient countries<sup>289</sup>. Two years after, both China and other countries realised that the national government was not able to solely tackle all the social and ecological issues caused by BRI projects. There were

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<sup>286</sup> *ibid*

<sup>287</sup> Xinhua, "White Paper: Development of China Public Health as an Essential Element of Human Rights" [http://english.gov.cn/archive/white\\_paper/2017/09/29/content\\_281475894089810.htm](http://english.gov.cn/archive/white_paper/2017/09/29/content_281475894089810.htm) accessed 30 October 2021

<sup>288</sup> The Economist Intelligence Unit, "Belt and Road summit puts spotlight on Chinese coal funding" (The Guardian 25 April 2019) <<https://www.theguardian.com/world/2019/apr/25/belt-and-road-summit-puts-spotlight-on-chinese-coal-funding>>

<sup>289</sup> Xinhua, "List of Deliverables of the Belt and Road Forum for International Cooperation" (15 May 2017) <[http://www.xinhuanet.com/english/2017-05/15/c\\_136286376.htm](http://www.xinhuanet.com/english/2017-05/15/c_136286376.htm)> accessed 30 October 2021

many issues at the grassroots level related to sustainability which requires partnership with CSOs. Several Chinese companies failed to communicate with local stakeholders and engage them in the project implementation. For example, the Myitsone Dam project in Myanmar was resisted by local people because of its potential environmental and cultural harmfulness to the local community. According to a poll conducted by Yangon School of Political Science, 85 percent of Burmese people oppose this project<sup>290</sup>. First, the Myanmar's junta government supported this project, and details of the agreement were never transparent to the public. Furthermore, the project was expected to flood 766 square kilometres of territory of Kachin state, and more than 15,000 were expected to be displaced and impoverished. Last, this dam was situated near the origin of River Irrawaddy, which is the heart of Burmese culture and the birthplace of their civilization. From this case, it can be concluded that the relationship between government and civil society in several BRI projects, both Chinese CSOs and local CSOs in recipient countries, is inequivalent.

Therefore, in order to improve the partnership, during the second SRF in 2019, the Chinese government and other governments agreed to loosen the restrictions on CSOs and integrate them into the BRI framework, so projects under BRI will become more sustainable<sup>291</sup>. It is stated in the final document that under the new multilateral cooperation mechanism, local authorities, enterprises, academic and local organisations were integrated better in BRI projects. Particularly, The China NGO Network for International Exchanges launches the Silk Road Community Building Initiative (SRCBI), which establishes “500 pairs of cooperation partnerships” and undertakes “200 livelihood cooperation projects in developing countries along the Belt and Road” from 2019 to 2021<sup>292</sup>.

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<sup>290</sup> Julian Kirchherr and Matthew Walton, “The NLD should start 2017 by scrapping the Myitsone dam” (The Myanmar Times, 3 January 2017) <<https://www.mmmtimes.com/opinion/24387-the-nld-should-start-2017-by-scrapping-the-myitsone-dam.html>>.

<sup>291</sup> *ibid*

<sup>292</sup> The Ministry of Foreign Affairs of the People's Republic of China, List of Deliverables of the Second Belt and Road Forum for International Cooperation (27 April 2019) <[https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1658767.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1658767.shtml)>.

After two years, China Foundation for Poverty Alleviation (CFPA) reported that they donated 10,000 Panda Packs - the essential living package to children in Pakistan to improve the lives of local people. There are more projects under the Silk Road Community Building Initiatives such as the Faqeer Primary School in Gwadar constructed by the China Foundation for Peace and Development or China-Pak Medical Corridor initiated by the Chinese Medical Association and Pakistani Medical Association<sup>293</sup>. The results of SRCBI prove that the Chinese government has paid more attention to public-civil society partnership in order to achieve sustainability in BRI projects. However, it is still unclear how much USD has Chinese government committed to engage and strengthen its partnership with civil society. As such, compared to PPPs in which the government issues annual financial reports with concrete data, partnership with CSOs does not show significant progress.

#### ***IV. Partnership with external powers***

Since Indo-Pacific is becoming increasingly important not only to Indo-Pacific countries but also to external powers, collaborating with other countries and international organizations in the world is necessary to move towards sustainable development. First, accessing the nature of PPP under the framework of BRI, it can be seen that the government and state companies still dominate the partnership, it can be seen in the bureaucratic power of policy decisions over legislative powers, or the overly favourable conditions towards Chinese state-owned companies over local companies. In order to overcome these challenges, external powers with experience and good practice in PPPs like the EU, UK or World Bank can play an important role here by helping China improve PPP practices and legislative frameworks. For instance, nearly half of European companies in China which have participated in the bidding process on BRI projects

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<sup>293</sup> Liao Yifan, "Pakistan is a part of the Silk Road Community Building Initiative" (China Economic, 8 May 2021) <[http://en.ce.cn/main/latest/202105/08/t20210508\\_36542462.shtml](http://en.ce.cn/main/latest/202105/08/t20210508_36542462.shtml)>.

identify the lack of transparency in the public procurement system as the major issue for PPP. In December 2021, the European Commission and the High Representative Foreign Affairs and Security Policy announced the Global Gateway which finances up to €300 billion to promote sustainable development in the Indo-Pacific region and across the world. This initiative aims to increase investment, strengthen good governance and transparency, and more importantly, partnerships based on the principle of equality, green and secure infrastructure<sup>294</sup>. It is difficult not to view the Global Gateway as the EU's response to BRI. However, at the same time, there is also a huge opportunity for the EU and China to cooperate to promote sustainability together, particularly in some fields that both parties agreed to work together, such as climate change or sustainable economic development and connectivity<sup>295</sup>.

Unlike the World Bank projects of the Japanese ODA, companies of external powers are blocked from playing a lead role in several projects. This is particularly true regarding infrastructure programs because many of them are politicized by both China and the governments of recipient countries. Nevertheless, with smaller BRI projects, Chinese companies from the private sector and non-Chinese companies have more opportunities to participate, mainly because EU or UK companies can bring critical technology services to the projects<sup>296</sup>. In the worst case where there will be fierce competition between the EU and China in terms of financing, the EU can be the alternative investor that many countries will welcome because it is more transparent and equal than BRI<sup>297</sup>. It will

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<sup>294</sup> European Commission, “Global Gateway: up to €300 billion for the European Union's strategy to boost sustainable links around the world” (2021)

<[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_6433](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433)>

<sup>295</sup> European Commission, “International Partnerships: China” (n.d.) <[https://ec.europa.eu/international-partnerships/where-we-work/china\\_en](https://ec.europa.eu/international-partnerships/where-we-work/china_en)>.

<sup>296</sup> European Union Chamber of Commerce in China, “The Road Less Travelled: European Involvement in China's Belt and Road Initiative” (2020) <<https://www.politico.eu/wp-content/uploads/2020/01/The-Road-Less-Travelled-EN-Final.pdf>>.

<sup>297</sup> Sebastian Seibt, “With its ‘Global Gateway’, EU tries to compete with China’s Belt and Road Initiative” (France 24, 3 December 2021) <<https://www.france24.com/en/europe/20211203-with-its-global-gateway-eu-tries-to-compete-with-the-china-s-belt-and-road>>.

potentially force China to commit more to sustainable development to compete with EU Global Gateway in the near future.

Secondly, to strengthen the commitment of BRI to SDGs, the United Nations has launched several capacity-building programs with other countries to promote sustainable countries. The UN has launched a flagship program called “Strengthening national policy capacities for jointly building the Belt and Road towards the SDGs” (“BRI-SDGs”) to enhance the synthesis between 17 SDGs and BRI from 2018-2021. Among 14 participating countries, including, Cambodia, Lao PDR, Myanmar, Thailand, Sri Lanka, and Bangladesh. At the end of the program, the Department of Economic and Social Affairs of the UN came up with a report to show country progress towards individual SDGs goals. The table below shows the progress of Indo-Pacific countries in achieving Goal 17:

Cambodia	Significant challenges
Lao PDR	Major challenges
Myanmar	Major challenges
Thailand	Major challenges
Sri Lanka	Significant challenges
Bangladesh	Significant challenges

Table 5: Country progress towards SDG 17 (Source: BRI-SDGs synthesis report<sup>298</sup>)

From this report, the UN acknowledges major challenges posed by BRI cooperation, including trade imbalances, debt distress, weak social and environmental assessment, and

<sup>298</sup> United Nations Department of Economic and Social Affairs. “BRI-SDGs synthesis report” (2021) <<https://www.brisdgs.org/sites/default/files/inline-files/BRI-SDGs%20-%20synthesis%20report%200828.pdf>>.

weak multi-level stakeholder engagements<sup>299</sup>. Therefore, it has been running different capacity-building projects to assist stakeholders of BRI, notably the UN DEAS training project under the funding of the UN Peace and Development Fund.

Next, this section will apply the two above-mentioned KPI to two case studies in the Indo-Pacific, namely Pakistan and Myanmar, with the focus on China–Pakistan Economic Corridor and China-Myanmar Economic Corridor.

### **III. Case Studies**

#### **I. Overview and Rationales for choosing case study**

Among various projects under the BRI framework, the China Pakistan Economic Corridor (CPEC) is one of the most important connectivity corridors that receives both support from two governments, China and Pakistan. On the one hand, it opens room for multi-level stakeholders and multinational partnerships, which allows cooperation from external partners. On the other hand, it also provokes tensions and concerns from other countries in the region, particularly India, and also prevents potential partnerships in the region. Furthermore, similar to the majority of BRI's projects in other regions, CPEC has been causing environmental degradation because of the lack of partnership with local companies, communities and civil society in Pakistan and South Asia<sup>300</sup>. In general, since the launch of CPEC, Pakistan has been facing several sustainable challenges, ranging from financing to environmental issues. Therefore, applying two KPIs reveals to what extent BRI promotes sustainable avenues for multi-level partnership.

Regarding the second case study, Southeast Asia is considered as the key region in both BRI's strategy and Indo-Pacific because of its geopolitical importance and ASEAN. The

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<sup>299</sup> *ibid* 2-3

<sup>300</sup> Zahid Khan, Guo Changgang, Riaz Ahmad and Fang Wenhao, "CPEC: A Game Changer in the Balance of Power in South Asia" (2018) 4(2) *China a Quarterly of International Strategic Studies* <<https://www.worldscientific.com/doi/pdf/10.1142/S237774001850029X>>.

ASEAN centrality and ASEAN's role are mentioned frequently in the literature of the Indo-Pacific and Belt and Road Initiative<sup>301</sup>. Myanmar is selected as the case study because the partnership between the Chinese government, the Myanmar government, and other stakeholders has been criticised for its unsustainability and inequality<sup>302</sup>. Similar to Pakistan, Myanmar has experienced sustainability issues, particularly socio-economic and environmental consequences from CMEC. Besides, many scholars believe that China's goal is to ensure CMEC will follow the path of CPEC<sup>303</sup>. Both countries are neighbouring states of China, which give Beijing overland access to the Indian Ocean and international trade traverses in the Indo-Pacific region. Both CMEC and CPEC are crucial to BRI because it enables Beijing to achieve the far-reaching goal of BRI, which is to improve regional integration and promote economic growth<sup>304</sup>. Hence, putting two case studies in comparison will provide valuable insights to evaluate sustainable avenues of the BRI.

## II. Pakistan (in CPEC)

CPEC was announced in 2015 and successfully drew attention from many stakeholders in Indo-Pacific because of its multifaceted and multisectoral nature, including infrastructure connectivity, energy, and special economic zones.

CPEC is considered the flagship corridor among five corridors. The Pakistan government allows China to use Gwadar Port which has significant geopolitical importance to both

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<sup>301</sup> Masataka Fujita, "Can ASEAN retain centrality in Indo-Pacific region? - From a GVC point of view" (2021) 10(1) *Journal of Contemporary East Asia Studies* <<https://www.tandfonline.com/doi/full/10.1080/24761028.2021.1892964>>.

<sup>302</sup> Lucas Myers, "The China-Myanmar Economic Corridor and China's Determination to See It Through" (Wilson Centre, 26 May 2020) <<https://www.wilsoncenter.org/blog-post/china-myanmar-economic-corridor-and-chinas-determination-see-it-through>>.

<sup>303</sup> Andrew Korybko "Myanmar's CMEC closely resembles Pakistan's CPEC" (CGTN, 20 January 2020) <<https://news.cgtn.com/news/2020-01-20/Myanmar-s-CMEC-closely-resembles-Pakistan-s-CPEC-NoV3bFGxm8/index.html>>.

<sup>304</sup> *ibid*

components of BRI on land and sea<sup>305</sup>. As a converging point of both the Silk Road Economic Belt and the Maritime Silk Road, other stakeholders also acknowledge the strategic implications of CPEC in many fields, and thereby accelerate partnerships with Pakistan and/or China<sup>306</sup>.

### ***I. FDI, ODA and South-South Cooperation***

First, in terms of financial resources mobilisation, according to the official website of CPEC, there are eight main types of Chinese finance projects, namely energy, infrastructure, Gwadar, Rail Based Mass Transit Projects, New Provincial Projects, Proposed Special Economic Zones, and Social Sector Development Projects<sup>307</sup>. Notably, China supports Pakistan to establish collaborations with the Asian Infrastructure Investment Bank and the principle of joint investment on many projects. Chinese financing includes governments funds, indirect financing of financial institutions, direct investment of enterprises, and loans from international financial institutions such as WB, IMF, and AIIB<sup>308</sup>. During the period of 2015-2016, there was a total influx of around \$600 million FDI in Pakistan, with China being the biggest donor. FDI attracted by CPEC contributes to the technological shift, decision-making capacities, and economic growth of Pakistan<sup>309</sup>. Until now, from \$46 billion, investment in CPEC is expected to increase by

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<sup>305</sup> Fakhar Hussain and Mezhar Hussain, "CPEC and its Geopolitical ParadigmsParadigms" (2017) 1(2) IJSSHE-International Journal of Social Sciences, Humanities and Education <<https://core.ac.uk/download/pdf/228734686.pdf>>.

<sup>306</sup> Mustafa Hyder Sayed, "The China-Pakistan Economic Corridor: A Case Study\*" (IDS Bulletin, 2019) <<https://bulletin.ids.ac.uk/index.php/idsbo/article/view/3066/3047>>.

<sup>307</sup> CPEC Authority: Pakistan Ministry of Planning, Development and Special Initiatives, "Long Term Plan For China-Pakistan Economic Corridor (2017-2030)" (2017) <<http://cpec.gov.pk/long-term-plan-cpec>>.

<sup>308</sup> *ibid* 24-25

<sup>309</sup> John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective" (2018) CGD Policy Paper 3/2018, 25 <<https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>>.



\$62-65 billion<sup>310</sup>. In general, there is a consensus between two central governments, and the partnership under CPEC brings more economic benefits to both sides.

Nevertheless, bilaterally financial cooperation is not sustainable as several projects have ceased being financed, such as the Engro 2x330MW Thar Coal Power Project, Hydro China Dawood Wind Farm (Gharo, Thatta), and other major energy projects. It does not reflect the main goal of CPEC, which “strives to be entirely accomplished, the endogenous mechanism for sustainable economic growth in place”<sup>311</sup>. Furthermore, China is currently the only major investor in Pakistan. It has implemented four financing instruments, including investment, concessional loans, interest-free loans, and grants. By 2021, the debt of Pakistan stands at more than \$90 billion, in which China accounted for \$24.7 billion<sup>312</sup>. The Federal Minister for Planning, Development, and Special Initiatives of Pakistan - Asad Umar claimed that BRI did not take responsibility for the debt sustainability issue in this country<sup>313</sup>. Instead of blaming China, the Minister believed that it was mainly their fault because “China’s debt is only 26% of the total external debt of Pakistan.” The interest rate of CPEC projects is lower than the rate of WB, IMF, and other western financial institutions, which are 4% and 4.25% respectively<sup>314</sup>. However, according to Bloomberg, Pakistan owes China \$6.7 billion in loans through 2022, while this country only owes the IMF \$2.8 billion in the same period<sup>315</sup>.

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<sup>310</sup> Samreen Fahim Babar, “Financial Institutions and Chinese Investment: The Review of China Pakistan Economic Corridor (CPEC) Policy” (2018) 4(2) *Europea Journal of Economics and Business Studies* <[https://www.researchgate.net/publication/330991607\\_Financial\\_Institutions\\_and\\_Chinese\\_Investment\\_The\\_Review\\_of\\_China\\_Pakistan\\_Economic\\_Corridor\\_CPEC\\_Policy](https://www.researchgate.net/publication/330991607_Financial_Institutions_and_Chinese_Investment_The_Review_of_China_Pakistan_Economic_Corridor_CPEC_Policy)>.

<sup>311</sup> *ibid* 9

<sup>312</sup> Muhammad Khudadad Chattha, “Financing Structure of CPEC” (China-Pakistan Economic Corridor, 3 October 2019) <<http://cpecinfo.com/financing-structure-of-cpec/>>.

<sup>313</sup> Embassy of the People's Republic of China in the Islamic Republic of Pakistan, “We do not have China debt problem: Umar” (10 June 2021) <<https://www.mfa.gov.cn/ce/cepk/eng/zbqx/t1913515.htm>>.

<sup>314</sup> *ibid*

<sup>315</sup> Fasseh Mangi, “Pakistan owes China more money than it owes the IMF,” (Bloomberg, 2 October 2019) <<https://www.bloomberg.com/news/articles/2019-10-03/pakistan-owes-china-more-money-than-it-does-imf-as-loans-mature>>.

There are great concerns about China's debt-trap diplomacy on account of CPEC. However, since BRI has received support from domestic actors in Pakistan which censors criticisms against China and prevents transparency in statistical reports<sup>316</sup>, there is a lack of evidence to conclude that China has been intentionally causing unsustainable debt in Pakistan. There is only one thing that is clear: Pakistan has had to accept difficult compromises. For example, the Prime Minister of Pakistan, Imran Khan hesitated to criticize China for human rights abuses towards the Uighur community, which includes several wives of Pakistani husbands, in Xinjiang<sup>317</sup>. Some political analysts believe that Khan kept silent because of the Chinese investment of \$60 billion in CPEC projects<sup>318</sup>. There is also a possibility that China will take over the Gwadar port as it did with the Hambantota port in Sri Lanka<sup>319</sup>. However, it has not happened yet, so the partnership between the two governments is still healthier and less coercive than partnerships between Beijing and other BRI recipient countries like Sri Lanka.

Acknowledging the risks of BRI's debt financing is, external powers like IMF and WB have been trying to prevent Beijing from directly impacting the economic policies of Islamabad by consistently releasing the loans and assistance from IMF, WB, and ADB<sup>320</sup>. In 2021, the IMF agreed to provide a loan of \$500 million while the World Bank also signed a \$1 billion loan with this country to improve social protection, climate management,

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<sup>316</sup> Rizwan Shaikh & Chien-Kai Chen, "China's Debt Trap in Pakistan? A Case Study of the CPEC Project" [2021] 41(3) South Asia Research Journal <<https://doi.org/10.1177/02627280211040650>> accessed 30 October 2021

<sup>317</sup> S Khan, "Pakistani husbands distressed as Uighur wives face Chinese crackdown" (Deutsche Welle, 15 February 2019) <<https://www.dw.com/en/pakistani-husbands-distressed-as-uighur-wives-face-chinese-crackdown/a-47540441>>.

<sup>318</sup> *ibid*

<sup>319</sup> Adnan Aamir, "Will Gwadar go the way of Hambantota? Why Chinese loans to Pakistan are sparking takeover fears along the economic corridor" (South China Morning Post, 27 December 2017) <<https://www.scmp.com/comment/insight-opinion/article/2125783/will-gwadar-go-way-hambantota-why-chinese-loans-pakistan-are>>.

<sup>320</sup> Uzair Younus, "Pakistan's Growing Problem with its China Economic Corridor" (United States Institute of Peace, 26 May 2021) <<https://www.usip.org/publications/2021/05/pakistans-growing-problem-its-china-economic-corridor>>.

infrastructure, and agriculture<sup>321</sup>. The loans and investments from international institutions are often considered more transparent, and they do not require recipient countries to sign a port deal like China did with Sri Lanka<sup>322</sup>. That is why an external system of checks and balances is necessary to move towards a more sustainable partnership, but relying on the compliance of international organisations is a risk in itself. Therefore, working with the private sector and civil society is an alternative way to strengthen sustainability in BRI projects.

## ***II. Amount of United States dollars committed to PPPs and CSOs partnerships***

Second, since partnership for CPEC is primarily limited to two national governments, the participation of the UN, private sector, and civil society has been restricted. The Parliament of Pakistan passed a resolution on adopting the UN 2030 Agenda as the national development on sustainable development agenda<sup>323</sup>. In this agenda and National Responsibility Framework for Sustainable Development supported by UNDP and Planning Commission of Pakistan, the private sector in Pakistan can contribute to sustainable development by direct financing, technical support, or Responsible Business Practices adoption to promote environmental and social equity. Civil society organisations, including think tanks, social and environmental rights-based actors, are also mentioned as an actor in the decision-making process, but the framework does not mention specific roles for CSOs. It only concluded that inclusive partnership built upon shared vision, goals, principles and values among public, private, and civil society

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<sup>321</sup> Press Trust of India, “Days After \$500 Million Cleared By IMF, World Bank Loans Over \$1 Billion To Pakistan” (NDTV, 27 March 2021) <<https://www.ndtv.com/world-news/days-after-500-million-cleared-by-imf-world-bank-loans-over-1-billion-to-pakistan-report-2400087>>.

<sup>322</sup> Saim Saeed, “Pakistan learns the cost of an alliance with China” (Politico, 3 March 2021) <<https://www.politico.eu/article/pakistan-learns-cost-of-economic-alliance-with-china/>>.

<sup>323</sup> UNDP and Pakistan Federal SDGs Support Unit, “National SDGs Framework for Pakistan” (2018) Pakistan's Perspective 3/2018 <[https://www.sdgpakistan.pk/uploads/pub/National\\_SDGs\\_Framework\\_Technical\\_Guidelines.pdf](https://www.sdgpakistan.pk/uploads/pub/National_SDGs_Framework_Technical_Guidelines.pdf)>.

institutions is critical to achieving sustainable development, without any concrete and prescriptive guideline for cooperation between the government and civil society<sup>324</sup>.

In practice, partnerships between different stakeholders in BRI projects in Pakistan have not shown significant improvements since 2013. The World Economic Forum reported that CPEC has created more political tension, deepened social cleavages, and generated more conflicts in Pakistan<sup>325</sup>. Although local stakeholders like CSOs, local companies, local communities, and authorities are consulted regularly, there has been no major progress in protecting local interests. For example, the local community did not receive any financial benefits from the flagship project of CPEC, Gwadar port because the two central governments built it as a military base rather than an economic zone. Similarly, the coal-based power program in the Tharparkar district also affected the environment negatively and displaced people from their homes because Chinese companies did not conduct proper social and environmental risk analysis before conducting it<sup>326</sup>. Therefore, the Overseas Investors Chamber of Commerce and Industry has called for a “more level playing field for all stakeholders in CPEC”, as the public-private partnership in CPEC is not fair, transparent and inclusive to local stakeholders<sup>327</sup>.

At an international level, it is also challenging for external powers such as the UK, the EU, and their companies to participate in CPEC. For instance, the EU is expected to invest

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<sup>324</sup> Ambreen Waheed, “National Responsibility Framework for Sustainable Development: Responsible Business Framework integrating SDGs” (2019) Planning Commission of Pakistan & Responsible Business Initiative 3/2019 <[https://www.sdgpakistan.pk/uploads/pub/NRFoSD\\_Final\\_Draft\\_National\\_Responsibility\\_Framework\\_Ambreen\\_Waheed.pdf](https://www.sdgpakistan.pk/uploads/pub/NRFoSD_Final_Draft_National_Responsibility_Framework_Ambreen_Waheed.pdf)>.

<sup>325</sup> World Economic Forum, “Opportunities and risks – the China-Pakistan trade corridor” (WEF, 3 July 2018) <<https://www.weforum.org/agenda/2018/07/opportunities-and-risks-the-china-pakistan-economic-corridor/>>.

<sup>326</sup> Shahzad Kouser, Abdul Subhan and Abedullah, “Uncovering Pakistan’s Environmental Risks and Remedies under the China-Pakistan Economic Corridor” (2019) 27(1) *Environ Sci Pollut Res* <<https://link.springer.com/article/10.1007/s11356-019-07428-5>>.

<sup>327</sup> Hammad Siddiqui and Max Scherzer, “Pakistani Businesses Consider CPEC Projects Non-Participatory” (CPIE, 7 November 2019) <<https://www.cpie.org/blog/2019/07/11/pakistani-businesses-consider-cpec-projects-non-participatory/>>.

in the \$60 billion agreement with China to execute energy and infrastructure projects under the CPEC framework. However, the main concern from the EU, as the EU's Ambassador to Pakistan pointed out, is human rights and environmental protection across the corridor, as well as transparency in investments, loans, and implementations. EU's requirements align with the UN's mandates on the environment, human rights, and legislation, which both Beijing and Islamabad need to fulfil to move towards SDG 17. In fact, the EU Parliament in 2020 had agreed to extend the Generalized System of Preferences-Plus (GSP-Plus) status granted to Pakistan, which gives this country preferential duties on exports until 2022 to promote economic development and create more jobs for Pakistani people. Under the obligation process, Islamabad needs to engage civil society and appoint human rights commissioners to monitor social and environmental developments, including those are related to CPEC projects<sup>328</sup>.

Overall, partnerships for sustainable development within the scope of CPEC are still facing many roadblocks. Apart from economic benefits for two central governments, the role of the UN, private sector, civil society, and external powers is insubstantial. Even between two governments, this still cannot be considered a symmetrical and healthy partnership because there are increasingly political and socio-economic risks for Pakistan when it becomes more dependent on Chinese investment. The next part examines CMEC in comparison with CPEC to find out whether BRI projects have been facing the same problems in all target regions or not.

### **III. Myanmar (in CMEC)**

CMEC starts from Yunnan, China to Mandalay, Myanmar and extends to Yangon and Kyaukphyu Special Economic Zone. The main aim of CMEC, similar to CPEC, is to improve regional connectivity through infrastructure, transportation, technology, and

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<sup>328</sup> Aamir Saeed, "EU calls for 'transparency' in CPEC economic zones to attract European investment" (Arab News 8 March 2021) <<https://www.arabnews.pk/node/1821891/pakistan>>.

financial services network<sup>329</sup>. As of early 2020, the Chinese government had invested over \$21 billion dollars in CMEC, reported by the Myanmar Investment Commission's Directorate of Investment and Company Administration<sup>330</sup>. CMEC is one of the key projects under BRI and the Chinese government wants it to follow a track similar to that of the CPEC.

### ***I. FDI, ODA and South-South Cooperation***

First of all, regarding financial resources mobilisation, compared to CPEC, Chinese FDI in CMEC is relatively lesser than that in the CPEC because the Myanmar government was more cautious about China's debt-trap diplomacy<sup>331</sup>. Before the announcement of BRI in 2013, Naypyidaw had already cancelled the hydroelectric Myitsone Dam project in 2011, which was worth \$3.6 billion dollars at that time<sup>332</sup>. In 2020, the previous Myanmar government continued to reduce China's investment in the Myitkyina Economic Development Zone because the MoU signed in 2018 was unfair to Myanmar. It contained several strict conditions which asked the Myanmar government to wait 70 years before constructing the second economic zone in Kachin state. The Chairman of state parliament, Tin Oo Yu, criticised how unsustainable China's monopoly in financing and investment was and called for international partners besides China to conduct other BRI

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<sup>329</sup> “Rangan Dutta, “North East and the China-Myanmar Economic Corridor (CMEC)” (2018), ) ISPSW Strategy Series: Focus on Defence and International Security 1/2918 <<https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/resources/docs/ISPSW-529%20Dutta.pdf>>.

<sup>330</sup> *ibid*

<sup>331</sup> SiuSue Mark, Indra Overland and Roman Vakulchuk, “Sharing the Spoils: Winners and Losers in the Belt and Road Initiative in Myanmar” (2020) 39(4) *Journal of Current Southeast Asian Affairs* <[doi:10.1177/1868103420962116](https://doi.org/10.1177/1868103420962116)>.

<sup>332</sup> Tim Johnston and Ben Bland, “Burma suspends \$3.6bn China dam project” (*The Financial Times* 30 September 2011) <<https://www.ft.com/content/520bcdb2-eb4f-11e0-9a41-00144feab49a>>.

projects, such as the mega Yangon City project<sup>333</sup>. Likewise, among 38 CMEC projects, Aung San Suu Kyi's government only fully approved 3 projects to avoid further debt<sup>334</sup>.

Nevertheless, CMEC also provides an impetus for Myanmar to fast-track economic development. The Burmese government had a limited public budget to achieve its Sustainable Development Plan. Investment and financial support under CMEC, including the Silk Road Fund, China Development Bank, as well as loans from AIIB could play a crucial role in improving infrastructure development and fostering its economic growth<sup>335</sup>. The main roadblock for a more sustainable partnership when it comes to financial cooperation is not too different from CPEC. The Myanmar-China bilateral cooperation is also perceived as being overly favourable to China, which generates opposition from Myanmar.

## ***II. Amount of United States dollars committed to PPPs and CSOs partnerships***

Furthermore, regarding partnership with the private sector and civil society, it is not easy to examine their roles in Myanmar because there is a lack of information and research on CMEC. The PPP model is generally underdeveloped in Myanmar<sup>336</sup>. With the establishment of China Public Private Partnerships Centre, in principle, the public-private partnership should have been strengthened to provide an alternative funding mechanism and promote local economies. Based on the report of Sandhi Governance Institute, there

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<sup>333</sup> Dipanjan Roy Chaudhury, "Myanmar continues pushback against BRI: Chinese Eco Development Zone faces turbulence" (The Economic Times, 5 August 2020)

<<https://economictimes.indiatimes.com/news/international/world-news/myanmar-continues-pushback-against-bri-chinese-eco-development-zone-faces-turbulence/articleshow/77364893.cms?from=mdr>>.

<sup>334</sup> Kyaw Ye Lynn, "Myanmar wary of China's Belt and Road investments" (Anadolu Agency, 23 August 2020) <<https://www.aa.com.tr/en/asia-pacific/myanmar-wary-of-chinas-belt-and-road-investments/1950686>>.

<sup>335</sup> Gong Sen, Melissa Leach and Jing Gu, "The Belt and Road Initiative and the SDGs: Towards Equitable, Sustainable Development" (2019) IDS Bulletin 9/2019

<[https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14893/IDSB50.4\\_10.190881968-2019.139.pdf?sequence=1&isAllowed=y](https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14893/IDSB50.4_10.190881968-2019.139.pdf?sequence=1&isAllowed=y)>.

<sup>336</sup> *ibid* 69-73

were some PPP projects implemented under the BRI and CMEC framework, namely the Muse-Mandalay Railway project and Kyaukphyu Special Economic Zone deep seaport project. However, PPP was not effective since they were still controlled under the bilateral framework of CMEC, where Chinese companies, such as China Railway Eryuan Engineering Group or the China International Trust Investment Corporation often overlooked local interests and benefits<sup>337</sup>.

The engagement of civil society organisations is also limited. A report on BRI in Myanmar revealed that the consulting process with local stakeholders for CMEC projects, such as the Muse–Mandalay Railroad project is weak. Based on the interview with civil society, the space for CSOs to operate in Myanmar is narrow. Without CSOs acting as the bridge between the government and local communities, local people have no means to oppose or mitigate the social and environmental impacts from CMEC projects<sup>338</sup>. Furthermore, CMEC projects often recruited Chinese workers, leaving very few working opportunities for local people or businesses. These Chinese workers are also reported to harass or exploit local women, and cause conflicts with local residents<sup>339</sup>. Those are the reasons why even after the Second Belt and Road Forum in 2019 in which the Chinese government agreed to provide US\$144 million to support local communities of CMEC projects, Burma people still oppose CMEC and conducted protests nationwide<sup>340</sup>.

Regarding the participation of external powers in CMEC, it is challenging for them to take part in CPEC and work with local people and stakeholders. The flagship project of the UN in Myanmar that is related to BRI is the BRI-SDG program. Within this program,

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<sup>337</sup> Sandhi Governance Institute, “Monitoring Report of Selected PPPs in Myanmar” (2019) Sandhi Governance Institute Report 08/2019 <<https://sandhimyanmar.org/wp-content/uploads/2019/09/Public-Private-Partnership-Report.pdf>>.

<sup>338</sup> *ibid* 394

<sup>339</sup> Axel Harneit-Sievers, “Talking about China in Myanmar” (The Heinrich-Böll-Stiftung, 23 July 2019) <<https://eu.boell.org/en/2019/07/23/talking-about-china-myanmar>>.

<sup>340</sup> Ming Mei, “Aung San Suu Kyi arrives in Beijing to attend 2nd Belt and Road Forum” (Xinhua, 24 April 2019) <[http://www.xinhuanet.com/english/2019-04/24/c\\_138005313.htm](http://www.xinhuanet.com/english/2019-04/24/c_138005313.htm)>.



the UN focuses on strengthening national capacities for building a sustainable BRI mainly through capacity building-training and technical impact assessment<sup>341</sup>. Other stakeholders, notably the EU, China, Singapore and Thailand also continue to provide FDI to Myanmar, however, they are not involved in CMEC projects due to China's monopoly in financing and investment on BRI projects in Myanmar.

In conclusion, CMEC has been facing similar issues of unsustainability as has the CPEC, and BRI has not provided sustainable avenues for Indo-Pacific powers through partnership. On the one hand, both countries receive FDI, ODA, and support from countries in the Global South, particularly China, although it is reported that the amount of money that Pakistan received is much bigger than Myanmar. On the other hand, in the case of Pakistan, the private sector and civil society still play a certain role in CPEC projects, while in Myanmar, they have been excluded from CMEC projects and will continue to be due to the military coup in this country. Furthermore, since CPEC was considered to be the model for CMEC, the role of external powers in Pakistan is more significant than in Myanmar. The next part recommends policy solutions to promote Partnership in the Indo-Pacific.

#### **IV. Policy Recommendations**

- Avoid quick agreements undercut project sustainability and raise risks

It is important for recipient countries not to overlook potential negative impacts on social and environmental aspects because of the economic benefits that BRI brings to their countries. Lack of careful assessments in project design, feasibility, financial sustainability, social and environmental risks will lead to several risks in the long run.

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<sup>341</sup> Lin Yang, "Report of Second National Workshop in Myanmar" (UNDESA, 26 December 2019) <<https://www.brisdgs.org/report-second-national-workshop-myanmar>>.

It is recommended that:

- Apart from urging the Chinese government to conduct assessments, developing countries can also call on collaboration from third parties, including international organisations, and developed countries within and outside the Indo-Pacific. For instance, the China Export-Import Bank has the Guidelines for Environmental and Social Assessments that could be used widely to assess the sustainability of a project. Furthermore, both the EU and the UK announced their Indo-Pacific strategies, hence, it will be a favourable condition for recipient countries to ask for their assistance in technology, finance, or human resources. The United Nations will still play the most important role in encouraging stakeholders to cooperate with each other and provide capacity-building for stakeholders to conduct risk analysis before starting and during all BRI projects. A system of progressive evaluations, undergone by a specifically designated delegation from China, the UN, and other external stakeholders, will strengthen the sustainable avenues for international cooperation.
- Improve Project Financing and Debt

In many countries, China is the main and only investor for several BRI projects, and it generates several issues related to financial sustainability. Normally, BRI projects are often more expensive than the host country could afford, nor do they have the technological capacity to deliver them.

It is recommended that:

- In order to avoid it, all involved countries, particularly China should promote PPP to encourage Chinese enterprises, external corporates and local businesses to contribute to financing BRI projects. Blended financing instruments, such as investment grants, technological assistance and loan guarantees should be applied

by China and recipient countries to attract external financing sources. The WB, OECD and other banks already have the blended finance facility to facilitate the PPP model in BRI projects. Besides, it should not be limited within international financial institutions, but also external powers like the EU, the UK, Germany, or France who have strategic interests in the Indo-Pacific. In order to realize that, following and pushing for the “Guiding Principles on Financing the Development of the Belt and Road” issued by China is the key.

- Strengthen local stakeholder engagements, including local authorities, civil society, business, local communities

It can be seen that both the host government and Chinese companies did not often recognize or address the needs of the local community. It is because they failed to engage, inform, and consult important parties, such as local authorities, local companies, CSOs, and most importantly, local government.

It is recommended that:

- China should redirect its “national government to the national government” approach and move towards multi-level partnerships to ensure the sustainability of BRI. It means that participation in BRI projects should not be limited to two central governments, namely the Chinese government and the government of the recipient country. The Chinese government should establish a mechanism that requires local stakeholders' engagement, as well as addressing local concerns. The mechanism should be publicised and translated into local languages, so local residents will be informed and engaged throughout the process. There are some guidelines to promote local engagement, including “A Guide to Designing and Implementing Grievance Mechanisms for Development Projects” of WB or “Guide to Social Responsibility for Chinese International Contractors” of China that BRI projects can follow.

- Strengthen multilateral dialogues and partnerships between four main stakeholders, including government, civil society, business, and the United Nations

There are already several existing dialogues between four main stakeholders, but keeping it open and continuous is still extremely important to achieve Goal 17. Currently, the relationship between civil society and government is the weakest, while it is the deciding factor to ensure social and environmental sustainability, as well as the linkage between people and the other three stakeholders.

It is recommended that:

- The Chinese government needs to broaden the role of CSOs in BRI projects and maintain its engagement with the UN and the business sector. Currently, the Chinese government is primarily multilateralising the BRI in terms of financing, and the joint communique of the the Belt and Road Forum also only focuses on the economic aspect. A more inclusive and equal approach should be discussed and included in the final communique of multilateral platforms like Belt and Road Forum, following up with the concert Action plans drafted by experts from four main stakeholders. By doing so, international cooperation will be promoted towards a more sustainable direction.

## Peace

### **I. General Overview**

Peace and development are heavily intertwined. Growth and development enable the foundations of peaceful societies to be built, and vice-versa, peaceful societies are primed to succeed in each stage and dimension of development. The Global Peace Index (GPI) 2021 states that peace itself is “most often fostered through inclusive and sustainable development”<sup>342</sup>. These tenets of development serve as bulwarks to conflict and social fraying. Exclusion and unequal access to opportunity, along with weak governance, foster violence and aggravate drivers of conflict.<sup>343</sup>

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<sup>342</sup> Institute for Economics & Peace. Global Peace Index 2021: Measuring Peace in a Complex World, Sydney, June 2021. Available from: <http://visionofhumanity.org/reports> (accessed 28 September 2021).

<sup>343</sup> Karim Bahgat, and others ‘Inequality and Armed Conflict: Evidence and Data’ Peace Research Institute Oslo (2017)  
<<https://reliefweb.int/sites/reliefweb.int/files/resources/Inequality%20and%20Conflict%20Full%20Report.pdf>> accessed September 23 2021

The Institute for Economics and Peace’s Positive Peace Report (PPR) 2020 identifies eight pillars of peace: High Level of Human Capital, Well-Functioning Government, Equitable Distribution of Resources, Sound Business Environment, Acceptance of the Rights of Others, Free Flow of Information, Good Relations with Neighbours, and Low Levels of Corruption.<sup>344</sup>

The PPR demonstrates that while a peaceful society is a driver of sustainable development, peace itself is an amalgamation of the pillars that sustainable development is made of. Within the context of this paper this includes the other 4 'Ps', established as Planet, People, Prosperity and Partnerships. It is therefore difficult to extricate peace from the components sustainable development comprises. To quote the former Secretary-General of the United Nations, Kofi Annan: “There is no long-term security without development. There is no development without security. And no society can long remain secure, or prosperous, without respect for human rights and the rule of law.”<sup>345</sup> As a result, each of the PPR’s eight pillars must be addressed in order to generate sustainable peace. The PPR provides the benchmark to which we will assess Peace and the BRI in this paper.

Pairing this framework for peace with Huang and Quibria’s analysis on foreign aid and inclusive growth, defined as growth in which “benefits be shared by people from all walks of life”, creates a suitable lens through which to analyse the sanctity of BRI investments and their effect on peace.<sup>346</sup> Their research affirms that “more inclusive societies have

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<sup>344</sup> The Institute for Economics and Peace, *Positive Peace Report 2020: analysing the factors that sustain peace*, Sydney, December 2020. Available from: <https://www.economicsandpeace.org/wp-content/uploads/2021/04/PPR-2020web.pdf>

<sup>345</sup> Tsinghua University, ‘Peace and Development with the Belt and Road Initiative’ (Department of International Relations, 9 March 2021) <<https://www.dir.tsinghua.edu.cn/iren/info/1030/1016.htm>> Accessed September 23 2021

<sup>346</sup> Yongfu Huang and M. G. Quibria, ‘The Global Partnership for Inclusive Growth’ (May 2013) WIDER Working Paper No. 2013/059 <<https://www.wider.unu.edu/sites/default/files/WP2013-059.pdf>> accessed 23 September 2021

better economic and political performances.”. Furthermore, foreign aid can be a means to strengthen inclusivity and social cohesion across all levels of society, therefore reinforcing the viability of sustainable development in recipient countries. This can, for example, be done through investment in critical development infrastructure, but only if it does not sustain oppressive policies and further marginalise communities.<sup>347</sup> These findings are especially pertinent when analysing the BRI, the world's largest foreign aid initiative.

An interview with Dr Benjamin Petrini, Senior Fellow for Conflict, Security and Development at the International Institute for Strategic Studies (IISS) was undertaken in order to justify this approach to peace.<sup>348</sup> Dr Petrini affirmed that peace and development are mutually sustaining concepts, and stated that conflict does not indicate a lack of development, but is rather an inherent part of it. However, when conflict turns violent, is identity-based, or is politicised, then the ensuing mix of grievances, government and policy impede the development and the sustainability of peace. For the purpose of ascertaining the BRI's effect on this dimension of development, Dr Petrini recommended an analysis of the BRI's conflict-sensitivity. The subsequent four caveats were established as guidelines to evaluate a development initiative's conflict-sensitivity<sup>349</sup>:

- Do no harm,
- Conflict analysis,
- Outcome monitoring & adaptation,
- Inclusive partnerships with domestic stakeholders.

Each guideline should be integrated into the approach of any one development project that operates in a conflict-prone environment. This conflict does not have to only be

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<sup>347</sup> *ibid.*

<sup>348</sup> Interview with Benjamin Petrini, Senior Fellow for Conflict, Security and Development at the International Institute for Strategic Studies (IISS)

<sup>349</sup> *ibid.*

physical or violent, but can exist in the form of long-lasting tensions along ethnic, religious, and socio-economic divides. Striving to mitigate the adverse effects of a development initiative on these tensions is a best practice for any actor operating within a conflict-affected area. To quantify these guidelines, two Key Performance Indicators (KPI) were selected.

### ***I. Key Performance Indicators***

The following KPIs will be used to measure the degree to which the BRI has incorporated these guidelines into its approach:

KPI	Relevancy
<u>Indicator 1</u> : Extent to which population believes decision-making is inclusive and responsive	Sustainable development and peace are predicated on an inclusive society. This can be measured by the extent to which the population believes it has influence and representation in the national level decision-making process
<u>Indicator 2</u> : High-profile, publicly recognized informal payments to political officials	Corruption, in the form of bribes and informal payments, severely weakens confidence in governing bodies and risks damaging more vulnerable parts of a population by sanctioning oppressive top-down policies

Table 6: Key Performance Indicators for Peace



The following questions will also be asked for each case study in order to evaluate the BRI's performance with the above established guidelines and KPIs:

- Is the BRI conflict-sensitive?
- Are the investments disbursed influenced by the positive or negative impact they will have on existing domestic tensions?
- Do the investments exacerbate grievances and cleavages?
- Was there inclusive dialogue between local, sub-national, and government actors in the decision-making process?

Finally, a country-by-country approach is needed to adequately implement peace-building policies, wherein the unique domestic climate is taken into account. While applying this degree of flexibility, the following case studies will seek to:

- Analyse the root issues of conflict in each case country;
- Identify said country's key BRI projects;
- Measure the degree of conflict-sensitivity of these projects.

## **II. Peace, the BRI and the Indo-Pacific**

In 2017, President Xi Jinping announced that the BRI should be “constructed into a road of peace”, addressing a pillar of sustainability that had not yet been incorporated into the BRI's framework.<sup>350</sup> The BRI is itself composed of 5 key pillars: policy coordination, financial integration, free trade, infrastructure and people-to-people ties.<sup>351</sup> Announcing the inclusion of Peace as an objective of the BRI signals a novel trend in the initiative's

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<sup>350</sup> Abdel Adel Ghafar and Anna L. Jacobs, ‘Beijing Calling: Assessing China's Growing Footprint in North Africa’ (Brookings Institution, 23 September 2019) <<https://www.brookings.edu/research/beijing-calling-assessing-chinas-growing-footprint-in-north-africa/>> accessed 23 September 2021

<sup>351</sup> Alek Chance, ‘The Belt and Road Initiative and the Future of Globalization’ (The Diplomat, 31 October 2017) <<https://thediplomat.com/2017/10/the-belt-and-road-initiative-and-the-future-of-globalization/>> Accessed 23 September 2021

trajectory, potentially reflecting Beijing's efforts to take a more active role in international peacebuilding.

Fully being able to “do no harm” when undertaking a development project is a critical aspect of engagement that well-established western aid institutions have struggled with. This is rendered even more difficult in a region as diverse in politics, religion, economies and societies as the Indo-Pacific. Central to this contemporary debate surrounding the damaging effects of development and engagement are the murky objectives of Beijing's BRI initiatives, especially given that China's own geo-political intentions have come under greater scrutiny.<sup>352</sup> Its unilateral efforts to alter the status quo in the South China Sea have incurred significant pushback from a majority of Southeast Asian states.<sup>353</sup> Incidents such as the 2020 Galwan River Valley severely damaged Sino-Indian relations and pushed India to deepen its involvement with the Quad as a power hedge against Beijing.<sup>354</sup> Finally, the western withdrawal from Afghanistan and the threat of terrorism spillover into western China and Pakistan has momentous implications for regional security.<sup>355</sup>

An initiative such as the BRI cannot seek to fully resolve all these issues, but it can strive to generate positive trends in peacebuilding through policies that aim to strengthen inclusive development within the region.

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<sup>352</sup> Matt Ferchen, “How China Is Reshaping International Development” (Carnegie Endowment for International Peace, 8 January 2020) <<https://carnegieendowment.org/2020/01/08/how-china-is-reshaping-international-development-pub-80703>> Accessed 23 September 2021

<sup>353</sup> Felix K. Chang, ‘ASEAN's Search for a Third Way: Southeast Asia's Relations with China and the United States’ (FPRI, 17 June 2021) <<https://www.fpri.org/article/2021/06/aseans-search-for-a-third-way-southeast-asias-relations-with-china-and-the-united-states/>> Accessed 23 September 2021

<sup>354</sup> Anirban Bhaumik, ‘India, China engaged in a war of words over Galwan Valley clash hours before Quad summit’ *Deccan Herald* (New Delhi, 24 September 2021)

<sup>355</sup> Isabel Green Jonegård, ‘The implications of a US withdrawal from Afghanistan Four scenarios’ (Swedish Defence Research Institute, 2021) <<https://www.foi.se/rest-api/report/FOI%20Memo%206771>> Accessed 23 September 2021

## II. Case Studies

A consultation with Dr David Gordon, the IISS's senior advisor for Geo-economics and Strategy, was undertaken in order to select appropriate case studies for analysing the BRI's effect on peace and conflict.<sup>356</sup>

Through consultation on the BRI's peace and security dimension, it was understood that the two case studies' domestic and international security environments would need to provide an appropriate degree of contrast. In addition, their involvement with the BRI would have to be significant in order to evaluate the wide spectrum of peacebuilding.

### I. Pakistan

Pakistan was chosen as the first case study. The scope of the China-Pakistan Economic Corridor (CPEC) allows each dimension of development to be considered. Furthermore, Pakistan's stability is affected by a diverse set of tensions and conflicts borne out of geographic, religious, cultural and political divides. Finally, the geo-strategic implications of CPEC on broader regional and international issues allow us to analyse the project's importance for powers external to the Indo-Pacific.<sup>357</sup>

### I. Drivers of Conflict

From the outset of negotiations between China and the Pakistani government, CPEC highlighted Pakistan's historically weak nation-building initiatives.<sup>358</sup> The initiative has served as a point of contention between center and provincial governments, as well as the

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<sup>356</sup> Interview with David Gordon, Senior Advisor for Geo-Economics and Strategy at the International Institute for Strategic Studies

<sup>357</sup> Interview with David Gordon (n 15)

<sup>358</sup> International Crisis Group, *China-Pakistan Economic Corridor: Opportunities and Risks* (Asia Report N°297, 2018) <<https://www.crisisgroup.org/asia/south-asia/pakistan/297-china-pakistan-economic-corridor-opportunities-and-risks>> accessed 23 September 2021

elites who shape Pakistan's politics.<sup>359</sup> Each region and actor seeks to benefit from the economic and infrastructural products of the BRI.<sup>360</sup> Internal conflict between the three core actors in Pakistani politics is a significant driver of instability. Disagreements between the civilian wing of the government, the military, and Islamic religious parties have hindered political modernisation in Pakistan.<sup>361</sup> Accordingly, military administrations have ruled for almost half of Pakistan's history.<sup>362</sup>

Furthermore, resources and power are concentrated around Pakistan's capital in the northeast and are dominated by the country's largest ethnic group, the Punjabis.<sup>363</sup> The western regions of Pakistan have thus been deprived of influence over policy and national agency.<sup>364</sup> Finally, regional instability and the spillover of terrorism from surrounding fragile states also puts Pakistan in a precarious strategic position.<sup>365</sup> These spillovers threaten both domestic security as well as the BRI and general development projects. The

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<sup>359</sup> Verma Aishwarya, 'Analysis | CPEC is Developing More than Just Infrastructure in Balochistan' (The International Scholar, 24 January 2021)

<<https://www.theintlscholar.com/periodical/2021/01/24/analysis/benefit-cpec-pakistan-balochistan-ethnonationalism>> Accessed 7 October 2021

<sup>360</sup> Zahid Ahmed, 'Impact of the China–Pakistan Economic Corridor on Nation-Building in Pakistan' (2018) 28. 1-15. *Journal of Contemporary China* <DOI: 10.1080/10670564.2018.1542221> Accessed 27 September 2021

<sup>361</sup> Mohammed Waseem, 'Patterns of Conflict in Pakistan: Implications for Policy' (Brookings Institution, Working Paper 5, 2011) <[https://www.brookings.edu/wp-content/uploads/2016/06/01\\_pakistan\\_waseem.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/01_pakistan_waseem.pdf)> accessed 23 September 2021

<sup>362</sup> *ibid.*

<sup>363</sup> *ibid.*

<sup>364</sup> Pascal Abb, Robert Swaine, and Ilya Jones, 'Road to Peace or Bone of Contention? The Impact of the Belt and Road Initiative on Conflict States' (2021) PRIF Report, Found on

<<https://www.saferworld.org.uk/resources/publications/1342-road-to-peace-or-bone-of-contention-the-impact-of-the-belt-and-road-initiative-on-conflict-states>> accessed September 23 2021

<sup>365</sup> David Gordon, Tabatha Anderson and Haoyu Tong, 'China's BRI: The Security Dimension' (The International Institute for Strategic Studies, 16 September 2020) <<https://www.iiss.org/blogs/research-paper/2020/09/beyond-the-myths-of-the-bri>> Accessed 23 September 2021

more marginalised and less developed regions, notably Balochistan, have become hotspots for violent anti-government and anti-BRI movements, such as the Baloch insurgency.<sup>366</sup>

## **II. The BRI's effect**

Data to measure both KPIs in Pakistan is scarce. However, a content analysis of this case study's literature offers strong indications of CPEC's effect on the selected indicators:

- Indicator 1: Extent to which population believes decision-making is inclusive and responsive
- Indicator 2: High-profile, publicly recognised informal payments to political officials

CPEC's footprint in Pakistan has faced a significant reduction due to problems related to debt sustainability, with both Pakistan and China agreeing to almost halve the cost of the project down from \$62 billion so as to diminish the risks to the recipient's economy.<sup>367</sup> Despite this and controversies surrounding its geo-strategic objectives vis-à-vis India, it is a relatively stable and much needed pillar of growth for Pakistan. CPEC has generated jobs, reduced power shortages and erected infrastructure critical to the Pakistan government's national-level development objectives.<sup>368</sup> In response to pushback from regional governments, China attempted to improve the BRI's image through several avenues, even going so far as to announce the construction of industrial parks in each province.<sup>369</sup> It is worth noting, however, that these parks would be Chinese-led in

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<sup>366</sup> Henrik Hallgren and Richard Ghiasy, 'Security and Economy on the Belt and Road: Three Country Case Studies' (SIPRI, December 2017) <[https://www.sipri.org/sites/default/files/2017-12/sipriinsights1712\\_.pdf](https://www.sipri.org/sites/default/files/2017-12/sipriinsights1712_.pdf)> Accessed 23 September 2021

<sup>367</sup> Andrew Small, 'Returning to the Shadows: China, Pakistan, and the Fate of CPEC' (German Marshall Fund, 2020) <<https://www.gmfus.org/news/returning-shadows-china-pakistan-and-fate-cpec>> Accessed 23 September 2021

<sup>368</sup> David Sacks, 'The China-Pakistan Economic Corridor—Hard Reality Greets BRI's Signature Initiative' (Council on Foreign Relations, 2021) <<https://www.cfr.org/blog/china-pakistan-economic-corridor-hard-reality-greets-bris-signature-initiative>> Accessed 23 September 2021

<sup>369</sup> Pascal Abb et al (n 23)

leadership and construction, and that such initiatives are predicted to face multiple challenges at the domestic level from Pakistani leadership, “both civil and the military”.<sup>370</sup>

These challenges of good governance have characterised much of the BRI’s involvement in Pakistan. Whilst CPEC sought to mediate many of the security challenges plaguing unstable Pakistani regions through economic and infrastructural connectivity to itself and the world, the appropriate degree of conflict-analysis and local stakeholder engagement was never undertaken.<sup>371</sup> By securitising vulnerable CPEC locations with a 15,000 troop strong Pakistani military “Special Security Division”, China gave the recipient’s military heavy influence over project selection and implementation.<sup>372</sup> This aggravated the underlying struggles between civilian and military leadership in Pakistan, and further politicised CPEC within Pakistan’s borders.<sup>373</sup> Furthermore, the fencing off of the Gwadar port – located in the poorest and most volatile region of Pakistan, Balochistan – marginalises the surrounding communities, intensifies the debate surrounding the sanctity of BRI projects, and aggravates violence by excluding local stakeholders.<sup>374</sup> It is notably the regional division of resource distribution from CPEC that is feared to perpetuate long-lasting centre-periphery tensions, as CPEC has already exacerbated underlying grievances in Balochistan.

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<sup>370</sup> Ejaz Hussain and Muhammad Furqan Rao, ‘China–Pakistan Economic Cooperation: The Case of Special Economic Zones (SEZs)’ (2020) 13, 453–472 *Fudan J. Hum. Soc. Sci.* <<https://doi.org/10.1007/s40647-020-00292-5>> Accessed 23 September 2021

<sup>371</sup> David Gordon et al, (n 24)

<sup>372</sup> Pascal Abb et al (n 23)

<sup>373</sup> David Sack (n 27)

<sup>374</sup> Azhar Azam ‘CPEC progress shows BRI viability’ *New Straits Times* (Kuala Lumpur, 19 January 2021)

This stoking of ethnonationalistic conflicts is reflected in the increase of insurgent attacks on Pakistani forces and Chinese projects since CPEC's inception.<sup>375</sup> Furthermore, the CCP's actions within Xinjiang against the ethnic and religious Uighur minority have made Chinese entities in Pakistan a target. ISIS has, for example, employed anti-China themes in its recruitment propaganda, accusing the CCP of oppressing Muslims around the world.<sup>376</sup>

### III. Evaluation

In these two regards, CPEC demonstrates a poor performance with some of the key established guidelines: inclusive partnerships with domestic stakeholders and conflict analysis. "CPEC's Long-Term Plan (2017-2030) was formulated by the centre with little input from local leaders, business or civil society actors." - the periphery of Pakistan's economic center in the Northeast.<sup>377</sup> This bypass of local stakeholders further indicates the BRI's poor performance with the first of the established KPI's, Indicator 1: the extent to which the population believes decision-making is inclusive and responsive. Pakistan's most marginalised region has been deprived of influence over much needed CPEC development projects. In more extreme cases, Balochistan stakeholders are physically excluded from CPEC projects being implemented on their own territory. CPEC's disregard for domestic drivers of conflict in Pakistan has exacerbated Balochistan's sense of deprivation and furthered sub-national instability. CPEC does not perform well under Indicator 2: High-profile, publicly recognised informal payments to political officials, or the conflict-sensitivity guidelines established with Dr Benjamin Petrini: Do no harm,

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<sup>375</sup> BTI 'Rising attacks by Baloch separatists increase risks, costs of BRI projects in Pakistan: Report' (New Straits Times, 2020) <<https://economictimes.indiatimes.com/news/international/world-news/surging-attacks-by-baloch-separatists-increase-risks-costs-of-bri-projects-in-pakistan-report/articleshow/77050860.cms?from=mdr>> Accessed 28 September 2021

<sup>376</sup> David Gordon et al, (n 24)

<sup>377</sup> International Crisis Group (n 17)

Conflict analysis, Outcome monitoring & adaptation, Inclusive partnerships with domestic stakeholders.

#### **IV. External Powers**

The security implications of CPEC are not, however, confined to the geography of Pakistan, and they extend far beyond South Asia. A potential militarisation of the Gwadar port in Balochistan has incited numerous concerns from international actors, namely the United States.<sup>378</sup> Washington fears that this militarisation would enhance Chinese power projection capabilities given Gwadar's strategic location along vital maritime chokepoints.<sup>379</sup> This is exacerbated by the opacity of Chinese military objectives in the region from a western perspective.<sup>380</sup> Interestingly, the US reaction has highlighted the differences between it and its allies' views and approaches to great power competition. The UK, for example, has a strong interest in deepening its connectivity with Pakistan to offset the loss of EU trade following Brexit. It has expressed willingness in partnering with China and Pakistan over CPEC to secure British business interests, and the British high commissioner to Pakistan has stated that CPEC is indeed “no threat to British interests.”<sup>381</sup>

Concerns revolving around CPEC and its security implications do, however, underscore the overlapping interests between Beijing and Washington in South Asia and the Middle East.<sup>382</sup> Stabilising Pakistan and remedying its sub-regional grievances would strengthen

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<sup>378</sup> Daniel R. Russel and Blake H. Berger, ‘Weaponizing the Belt and Road Initiative’ (Asia Society Policy Institute, 2020) <[https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative\\_o.pdf](https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative_o.pdf)> Accessed 28 September 2021

<sup>379</sup> *ibid.*

<sup>380</sup> Syed Mohammad Ali, ‘The U.S.-China Strategic Rivalry and its Implications for Pakistan’ (Stimson Center, 2020) <<https://www.stimson.org/2020/the-u-s-china-strategic-rivalry-and-its-implications-for-pakistan/>> Accessed 28 September 2021

<sup>381</sup> Zafar Bhutta “CPEC no threat to British interests” *The Express Tribune* (Karachi, 20 December 2020)

<sup>382</sup> Uzair Younus, ‘Pakistan’s Growing Problem with its China Economic Corridor’ (United States Institute of Peace, 2021) <<https://www.usip.org/publications/2021/05/pakistans-growing-problem-its-china-economic-corridor>> Accessed 28 September 2021



regional security as whole and contribute to US national security imperatives.<sup>383</sup> Furthermore, the spillovers of terrorism, refugees and political instability from Afghanistan heavily implicate Pakistan's stability. By engaging with CPEC, there is ample opportunity for the United States to amplify Chinese development initiatives in Pakistan. Through cooperation on CPEC, Washington can have a positive influence on the security of the region. Cooperating to manage Pakistan's domestic issues, at risk of being exacerbated by the Afghanistan crisis, is a common objective for both China and the US.<sup>384</sup>

## II. Malaysia

Malaysia was chosen as the second case study. While also suffering from divisions along ethnic and religious lines, Malaysia's drivers of conflict have led to far less bloodshed than those of Pakistan; the former has experienced a considerable degree of inclusive growth in the last 40 years.<sup>385</sup> Furthermore, Malaysia's place within the BRI is less geo-strategically important than Pakistan's, making it a more neutral case study in the context of Beijing's strategic objectives.<sup>386</sup> CPEC serves as a strategically imperative link in the BRI's chain from Asia to Europe when compared to the BRI in Malaysia.

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<sup>383</sup> Lin Wang, 'Opportunities and Challenges of the China-Pakistan Economic Corridor (CPEC) and Implications for US Policy and Pakistan' (East-West Center, 2017)

<<https://www.eastwestcenter.org/publications/opportunities-and-challenges-the-china-pakistan-economic-corridor-cpec-and-implications>> Accessed 28 September 2021

<sup>384</sup> Michael K. Nagata and Joseph Votel, 'The future of US cooperation with Pakistan' (Middle East Institute, July 2021) <<https://www.mei.edu/publications/future-us-cooperation-pakistan>> Accessed 30 September 2021

<sup>385</sup> Alex Mourmouras and Niamh Sheridan (2016) 'Research Summary: Malaysia: Achieving High-Income Status through Resilience and Inclusive Growth' *International Monetary Fund* 2015/4 (Washington: IMF) <<https://doi.org/10.5089/9781498322461.026>> Accessed 28 September 2021

<sup>386</sup> Interview with David Gordon (n 15)

### **I. Drivers of conflict**

Ethnic cleavages are a core driver of Malaysia's political instabilities.<sup>387</sup> The rhetoric of "Malaysia for the Malay's", who make up over 50% of the country's population, has dominated domestic politics since its independence. Consequently, Malaysia's political establishments have largely developed along ethnic lines, with the Malay majority dominating at the political elite level.<sup>388</sup> Religion has also recently been used to reinforce these polarising political rhetorics. Almost all Malays identify as muslim, and this theological dimension has been leveraged to further widen the gap between the majority ethnic Malay's and their Indian and Chinese counterparts.<sup>389</sup> This had led to the melding of ethnic and religious tensions for political mobilisation, further polarising Malaysia's populace and impeding the progress of political unity.

Unequal distribution of economic resources between ethnic groups and income inequality along these ethnic lines is another point of tension in Malaysia. It is often exploited by political elites to garner support for their platforms, who tend to utilise divisive ethnic rhetorics in order to galvanise their voter base. The bottom 40% of Malaysia's income groups are disproportionately composed of Malays and East Malaysians.<sup>390</sup> An analysis of income growth and redistribution from 1984 to 2014 found that the positive growth rate between income groups did not translate over to ethnic groups.<sup>391</sup> Malaysia's top 1% serves as an effective case study of the country's income inequalities. While the Chinese ethnic

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<sup>387</sup> Jonathan Head 'How Malaysia's government collapsed in two years' *BBC News* (London, 5 March 2020)

<sup>388</sup> Tashny Sukumaran, 'Religion, race, politics: what's causing Malaysia's great divide?' *South China Morning Post* (Hong Kong, 27 August 2017)

<sup>389</sup> Bridget Welsh, 'Malaysia's Political Polarization: Race, Religion, and Reform' in Thomas Carothers and Andrew O'Donohue (eds) *Political Polarization in South and Southeast Asia: Old Divisions, New Dangers* (OUP 2020)

<sup>390</sup> *ibid.*

<sup>391</sup> Muhammad Abdul Khalid and Li Yang, 'Income inequality and ethnic cleavages in Malaysia: Evidence from distributional national accounts (1984–2014)' (2021) 72/101252 *Journal of Asian Economics* <<https://doi.org/10.1016/j.asieco.2020.101252>> Accessed 28 September 2021

minority makes up around 20% of Malaysia’s population, they account for 72% of the top 1% of Malaysia’s income group.<sup>392</sup> <sup>393</sup>It is worth noting however, that this problem has significantly improved over the last three decades. Since 1984, income equality has generally improved across ethnic and income groups.<sup>394</sup>

The combination of these factors has hindered cohesion of policy within the Malaysian government. It is easier for politicians to run their campaigns on religious and ethnic “us VS them” tactics than by actually pushing coherent policies aimed at addressing the country’s systemic issues.<sup>395</sup> When socially-divisive politics drive domestic policy-making, the “attitudes” needed to sustain peace are absent.

## **II. The BRI’s effect**

The most salient KPI to assess the BRI’s effect on Malaysia is SDG Indicator 2: High-profile, publicly recognised informal payments to political officials. This also links back to Indicator 1: Extent to which the population believes decision-making is inclusive and responsive. If there is a high degree of government corruption, then the decision-making process will inherently be less inclusive.

Malaysia’s dominant political party, UNMO, saw an opportunity to leverage the BRI as a means of sustaining domestic economic growth, historically catalysed by foreign investment, while preserving its own political legitimacy.<sup>396</sup> While myths that China was

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<sup>392</sup> Malaysia (2016), ‘Demography of Population’ *Department of Information*

<sup>393</sup> Muhammad Abdul Khalid and Li Yang, (n 49)

<sup>394</sup> *ibid.*

<sup>395</sup> Bridget Welsh (n 47)

<sup>396</sup> Lee Jones and Shahar Hameiri, ‘Debunking the Myth of ‘Debt-trap Diplomacy’: How Recipient Countries Shape China’s Belt and Road Initiative’ (Chatham House, August 2020)

<<https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy/5-malaysia-and-bri>>  
Accessed 28 September 2021

seeking to lure Malaysia into a debt trap by inflating funds have been debunked, some of the more high profile projects in Malaysia have been the source of immense political controversy.<sup>397</sup> The East Coast Rail Link (ECRL) and two other gas pipeline projects are at the centre of this. UNMO used the ECRL and other BRI projects to support the construction sector. Malaysia's construction sector is composed mainly of Government-linked Companies (GLC's) and its workforce is largely made up of ethnic Malays. It is thus seen as an important pillar of political patronage for UNMO.<sup>398</sup> These GLC's received large, inflated contracts from BRI projects, with considerable chunks of the money circling back to UNMO in the form of donations.<sup>399</sup> An estimated 42% of Malaysia's publicly listed companies are GLC's, with 62 being majority owned by the government itself.<sup>400</sup> In 2017, it was revealed that the Ministry of Rural and Regional Development, tasked with implementing many of these projects, was one of three particular ministries redirecting government-generated rents back to UNMO party members and prominent business leaders.<sup>401</sup>

Rent systems such as this enable political elites to further their socially-divisive tactics. While Malaysia's sources of tension are borne out of its ethnic and religious differences, it is the intentionally polarising top-down political battles that perpetuate domestic grievances.<sup>402</sup> The controversy surrounding this system of political patronage linked to Chinese funds is well represented in the 1 Malaysia Development Berhad (1MDB)

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<sup>397</sup> *ibid.*

<sup>398</sup> *ibid.*

<sup>399</sup> *ibid.*

<sup>400</sup> Edmund Terence Gomez, 'Business as Usual: Regime Change and Government-Linked Companies in Malaysia' (2019) 14(1) *GlobalAsia* <[https://www.globalasia.org/v14n01/focus/business-as-usual-regime-change-and-government-linked-companies-in-malaysia\\_edmund-terence-gomez](https://www.globalasia.org/v14n01/focus/business-as-usual-regime-change-and-government-linked-companies-in-malaysia_edmund-terence-gomez)> Accessed 28 September

2021

<sup>401</sup> *ibid.*

<sup>402</sup> Benjamin Petrini, (n 7)

scandal.<sup>403</sup> The state investment fund 1MDB was used by corrupt high-level officials to misappropriate \$4.5 billion in funds for personal and political reasons.<sup>404</sup> Chinese companies became implicated with 1MDB's severe debt issues when they offered to bail out the fund in return for several BRI-related deals.<sup>405</sup> The price of the ECRL and two gas projects were thus inflated in order for part of the money to be used to bailout the 1MDB. A Malaysian official testified on trial that these projects were intended as a "possible bail-out for the troubled fund", placing the BRI at the centre of an explosive Malaysian political controversy.<sup>406</sup> The ECRL has since been re-negotiated by a new Malaysian government and its cost has been cut by 30%, but the project has been unable to shed its controversial image. Many details around the renegotiation remain hidden and no feasibility studies have been made public.<sup>407</sup>

### **III. Evaluation**

In summary, the ECRL exacerbated a long-standing Malaysian issue, corruption and crony capitalism. Testimonies from involved individuals have confirmed that a foreign entity was used to "funnel money into 1MDB to cover up embezzlement and graft."<sup>408</sup> Malaysia's largest BRI project should have attached more importance to its effects on the recipient country's politics, which are a top-down driver of conflict. In this regard, the BRI performs poorly when interacting with one of Malaysia's core drivers of conflict: government corruption. It exacerbated a damaging political rent system in the recipient country through weak conflict analysis and outcome monitoring & adaptation, as well as

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<sup>403</sup> Rozanna Latiff and Joseph Sipalan 'Malaysia had plan to use Chinese money to bail out 1MDB, court hears' *Reuters* (London, 4 September 2019)

<sup>404</sup> *ibid.*

<sup>405</sup> Tom Wright and Bradley Hope, 'WSJ Investigation: China Offered to Bail Out Troubled Malaysian Fund in Return for Deals' *The Wall Street Journal* (New York, 7 January 2019)

<sup>406</sup> Syahirah Syed Jaafar, 'Focus on economic impact of ECRL and not seek review of project, says Kian Ming' *The Edge Markets* (Kuala Lumpur, 30 September 2019)

<sup>407</sup> ASEAN Today 'Going deeper down the rabbit hole: Does Malaysia's ECRL need further scrutiny?' ASEAN Today (Singapore, 23 September 2019)

<sup>408</sup> *ibid.*

through exclusive partnerships with domestic stakeholders. This observation demonstrates the BRI's adverse effect on Indicator 2: High-profile, publicly recognized informal payments to political officials. This in turn damages the population's perception of an inclusive decision-making process, Indicator 1.

### III. Conclusion

A bypass of local and community stakeholders when formulating, accepting, and implementing BRI projects is a trend that can be observed in both case studies, and is widely observed across most BRI projects.<sup>409</sup> While operating at the macro level, the BRI ignores local considerations that are often large drivers of conflict in more fragile states. This exacerbates these root drivers of conflict from the ground-up in the case of ethnic, religious, and income divides, as well as from the top-down in the form of elite capture and crony capitalism.

The case studies of Pakistan and Malaysia provide evidence that the BRI does not perform well when measured against the guidelines established: Do no harm, conflict analysis, outcome monitoring & adaptation, and inclusive partnerships with domestic stakeholders. The BRI has engaged with Pakistan and Malaysia mainly through the avenue of elite government leadership. In doing so, BRI projects lack the appropriate degree of conflict-sensitivity and local stakeholder engagement, often leading to purposeful mismanagement of BRI projects at the political elite level.<sup>410</sup>

The BRI therefore scores low with regards to both KPIs. In each case study, the decision-making process surrounding BRI projects negatively affects Indicator 1: Extent to which

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<sup>409</sup> Jason G. Tower, 'Conflict Dynamics and the Belt and Road Initiative: Ignoring Conflict on the "Road to Peace"', (2020) 97 *Brot für die Welt* <<https://www.brot-fuer-die-welt.de/blog/2020-conflict-dynamics-and-the-belt-road-initiative/>> Accessed 28 September 2021

<sup>410</sup> *ibid.*

the population believes decision-making is inclusive and responsive. This negative perception is rooted in the BRI's tendency to formulate partnerships and projects in step with often exclusionary political leadership. Research evaluating the BRI's effect on Malaysia's issues of corruption also found that it was directly involved in the harmful misappropriation of development funds by corrupt Malaysian leadership, thereby scoring low for Indicator 2: High-profile, publicly recognised informal payments to political officials.

#### **IV. Policy Recommendations**

##### **1. Impact Assessment and Conflict-Sensitivity**

The BRI is conflict-blind. When operating in more fragile or volatile environments, BRI projects suffer from a severe lack of conflict-analysis and outcome monitoring & adaptation. A general disregard from BRI projects for their social and political impacts can be observed in the above case studies. As such, the BRI should improve impact-assessment considerations in more fragile environments.

It is recommended that:

- Chinese entities should establish a standard practice for assessing a project's effect on conflict drivers in BRI-recipient countries. One such method would be through engaging specialist development actors such as the UN Business and Human Rights platform to share best practices and establish BRI conflict-sensitivity guidelines drawn from established methods. Though no development initiative in

a Fragile and Conflict-Affected State (FRACAS) state can fully account for all its impacts on dynamics of conflict in the recipient country, framing its approach through a conflict-sensitive lens is a best-practice to mitigate any negative externalities emanating from engagement. China and BRI initiatives should strive to incorporate such a lens into their projects in order to enhance the potential of positive impact the BRI can have.

## **2. Mechanisms for engaging with civil society and local stakeholders**

The Chinese government should create a platform through which Chinese entities and BRI-recipient entities can engage in dialogue. In order to improve policy coherence between Chinese businesses and government and recipient businesses and government, there needs to exist a platform and standards for liaison between these various stakeholders. The BRI tends to engage with recipient countries in most part through the national leadership level. While it is only via agreements with leadership that BRI projects can hope to be green-lit, the trend risks harming recipient countries where politicians negotiating BRI projects often have nefarious interests. Creating an inclusive discussion platform, from the municipal to the national level, would provide a space to collaborate on critical components of sustainable development such as impact-assessment, outcome monitoring & adaptation and do no harm.

It is recommended that:

- Chinese BRI-entities engage with their recipient countries on a local level in order to mitigate sub-national conflicts, as these tend to be exacerbated by BRI projects. To avoid a pattern of exclusive engagement with state-level actors, the BRI should diversify its approach by expanding and deepening local engagement. This can be



done through informal engagement with civil society actors and local stakeholders in recipient countries, but also in consultation with non-Chinese development actors who have experience in dealing with such local actors.

### **Concluding Remarks**

The Belt and Road Initiative (BRI) is the subject of admiration and concern. Its competence in driving sustainable development is equivocal, as the BRI instigates both constructive and harmful outcomes across the 5Ps of sustainable development. While it has created positive results in engendering the 5Ps, it is deemed to lack policy coherence - degrading certain sustainable development dimensions in the pursuit of engendering positive effects across other dimensions.

Aspects of the BRI are welcome and appreciated by participating stakeholders. This includes the economic and geostrategic benefits certain countries gain from their involvement in the BRI. Elements of western aid and development have proven insufficient in meeting certain countries' needs, meaning the BRI can offer a more appealing development pathway. Additionally, key infrastructure and economic needs are being addressed by particular BRI projects, instigating productivity and employment outcomes in the short and long term.

However, the BRI has areas for improvement regarding sustainable avenues for international cooperation. The BRI should more strongly consider the impact assessment and consultative elements of its projects. This would incorporate local knowledge across the 5Ps of sustainable development and produce more equitable social and economic results. Additionally, recipient countries should more carefully appraise prospects presented by the BRI in relation to their economic, social and environmental circumstances. Failure to do so will, and has, generated misunderstandings and tense outcomes between the Chinese government and participating actors in the BRI. More broadly, this has geopolitical implications, sometimes creating unease from other countries and stakeholders, particularly those in the Indo-Pacific.

The rise of China is a defining geopolitical phenomenon of the 21st century, with the BRI being a hallmark of China's influence. This has created mixed sentiments towards it, including its implications for the Indo-Pacific and external powers. In the post COVID-19 world, such discourse is growing in salience as the traditional world order continues to be disrupted. Inevitably, the international community will need to appraise and act upon this phenomenon. Accordingly, China will need to formulate its own approach towards sustainable avenues for international cooperation. This paper provides some understanding of current and future prospects for such, defined through the UN Sustainable Development Goals. Relevant stakeholders and policymakers can benefit from the research and discussion in this paper. Ideally, effective policy action will also be inspired from this paper's findings.

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